



# CAMEROON

## 2014 ARTICLE IV CONSULTATION

July 2014

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 2014 Article IV consultation with Cameroon, the following documents have been released and are included in this package:

- **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on May 8, 2014 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 June 13, 2014.
- **Informational Annex** prepared by the IMF.
- **Debt Sustainability Analysis** prepared by the staffs IMF and the World Bank.
- **Press Release**

The following document has been or will be separately released.

Selected Issues Paper

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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# CAMEROON

## STAFF REPORT FOR THE 2014 ARTICLE IV CONSULTATION

June 13, 2014

### KEY ISSUES

**Context.** Cameroon's macroeconomic outlook and risks have deteriorated slightly since the Article IV consultation in 2013. Economic activity has remained strong and inflation subdued, but the fiscal position has worsened; public debt has been rising at a less sustainable pace; government deposits have dwindled; and payment delays have continued. The anticipated growth path may not suffice to reach upper-middle-income country status by 2035.

**Focus of the consultation and risks.** The overarching policy issue remains unchanged: how to set Cameroon on a higher growth path, while mitigating low but growing risks to macroeconomic stability. Spillovers from regional insecurity have become the main exogenous risk; endogenous risks stem from rising contingent liabilities and credit concentration. Past policy advice remains relevant.

#### Key policy recommendations:

- Strengthen cash management and expenditure controls to prevent a further accumulation of payment deferrals.
- Close the financing gap in 2014, and adopt a downward path for the non-oil primary deficit to rebuild fiscal space and preserve macroeconomic stability.
- Improve non-oil revenue by broadening the tax base and streamlining tax exemptions.
- Reprioritize public expenditure by reducing fuel subsidies gradually; provide targeted compensation measures for the most vulnerable.
- Increase the selectivity of investment projects and adopt a rigorous screening of the financing terms to ensure debt sustainability.
- Pursue the resolution of three small distressed banks and support the strengthening of regional bank and microfinance supervision.
- Promote higher and more inclusive growth through better targeted educational and social spending, a propitious business climate, and deeper regional integration.

Approved By  
**Anne-Marie Gulde-Wolf**  
**and Bob Traa**

Discussions took place in Douala and Yaoundé during April 24–May 8, 2014. The staff team comprised Messrs. de Zamaróczy (head), Bissessur, Fahlberg, and van Houtte (all AFR), Mmes. Mazraani (FAD) and Yontcheva (resident representative), and Mr. Tchakoté (resident economist). Mr. Ayissi Etoh (OED) and staffs of the World and African Development Banks attended policy meetings. The team met with President Biya, Secretary General at the Presidency Minister Ngoh Ngoh, Finance Minister Mey, Economy Minister Nganou Djoumessi, BEAC National Director Mani, several other cabinet members, senior officials, and representatives of the business community, labor unions, civil society, academia, and development partners. Cameroon accepted the IMF's quota and voice reforms.

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## Glossary

BEAC	Regional Central Bank ( <i>Banque des États de l'Afrique Centrale</i> )
CEMAC	Central African Economic and Monetary Community ( <i>Communauté Économique et Monétaire de l'Afrique Centrale</i> )
CET	Common External Tariff
CFA	African Financial Cooperation ( <i>Communauté Financière de l'Afrique</i> )
CGER	Consultative Group on Exchange Rates
CIT	Corporate Income Tax
CNDP	National Public Debt Committee ( <i>Conseil National de la Dette Publique</i> )
COBAC	Regional Bank Supervisory Body ( <i>Commission Bancaire de l'Afrique Centrale</i> )
CPIA	Country Policy and Institutional Assessment
CSPH	Hydrocarbon Price Stabilization Fund ( <i>Caisse de Stabilisation des Prix des Hydrocarbures</i> )
DSA	Debt Sustainability Analysis
EITI	Extractive Industries Transparency Initiative
EPA	Economic 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
MTEF	Medium-Term Expenditure Framework
NFA	Net Foreign Assets
NOPD	Non-Oil Primary Deficit
NPL	Nonperforming Loan
PFM	Public Financial Management
PIMI	Public Investment Management Index
PPP	Public-Private Partnership
REER	Real Effective Exchange Rate
SIP	Selected Issues Paper
SME	Small and Medium-Size Enterprise
SNH	National Hydrocarbons Company ( <i>Société Nationale des Hydrocarbures</i> )
SONARA	National Oil Refinery ( <i>Société Nationale de Raffinage</i> )
SSA	Sub-Saharan Africa(n)
TOFE	Fiscal Reporting Table ( <i>Tableau des Opérations Financières de l'État</i> )
UPO	Unsettled Payment Order
VAT	Value-Added Tax
WEO	World Economic Outlook

## ROBUST GROWTH, BUT LACKING INCLUSIVENESS

*Economic growth accelerated in 2013, but was not inclusive. Growth prospects hinge on a change in the fiscal stance and a shift to a broad-based, private-sector-led development. The advent of private-sector takeoff is hindered by unproductive spending, rising public debt, and an unpropitious business environment.*

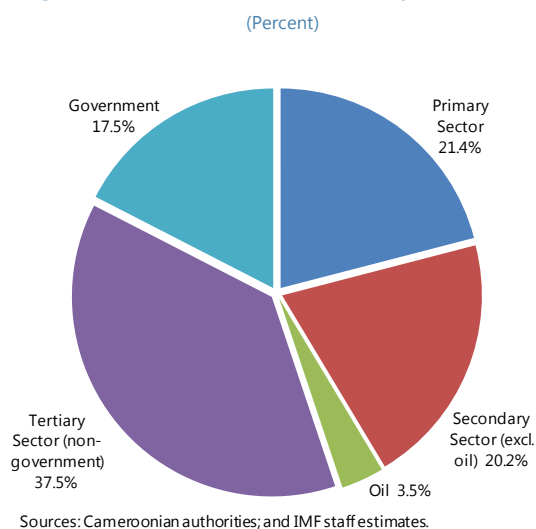
**1. Cameroon's growth was robust in 2013.** At 5.5 percent, it was fuelled by strong performance in the services sector and by a public investment program of more than 7 percent of GDP (Text Table 1; Figures 1A–2, Tables 1–5 and 8–9; Selected Issues Paper—SIP—Infrastructure Road Map). The public investment program reflects strong progress in the commissioning of new dams and thermal plants to improve the quantity and quality of electric power. However, linkages to the broader economy (e.g., port facilities, power lines, roads) still need to be put in place for the infrastructure projects to contribute to growth. Annual inflation, at 2.1 percent, was under the Central African Economic and Monetary Community (CEMAC) convergence criterion of 3 percent, but was higher than the CEMAC weighted average of 1.7 percent (excluding Cameroon).

**Text Table 1. Cameroon: Contributions to GDP Growth, 2009–13**

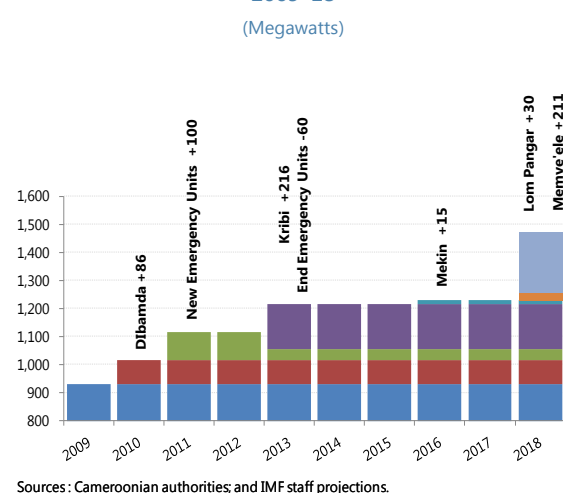
	(Percent)				
	2009	2010	2011	2012	2013
Primary sector	0.6	1.3	0.7	0.6	0.7
Secondary sector (excl. oil)	0.1	0.7	0.7	1.0	1.4
Oil	-0.8	-0.6	-0.3	0.1	0.1
Tertiary sector	2.0	1.8	3.0	2.9	3.3
Of which: government	0.7	0.4	1.0	0.8	1.0
Real GDP growth	1.9	3.3	4.1	4.6	5.5

Sources: Cameroonian authorities; and IMF staff estimates.

**Figure 1A. Cameroon: Nominal GDP by Sector, 2013**

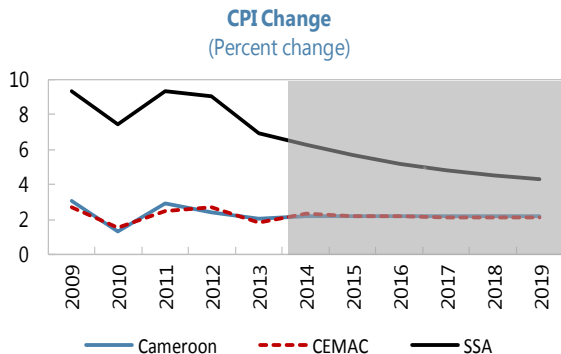


**Figure 1B. Cameroon: Electricity Production Capacity, 2009–18**

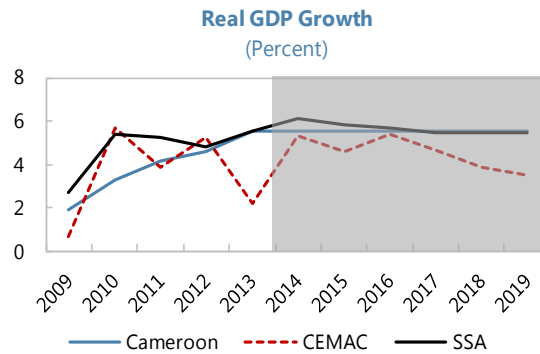


**Figure 2. Cameroon: Selected Economic Indicators, 2009–19**

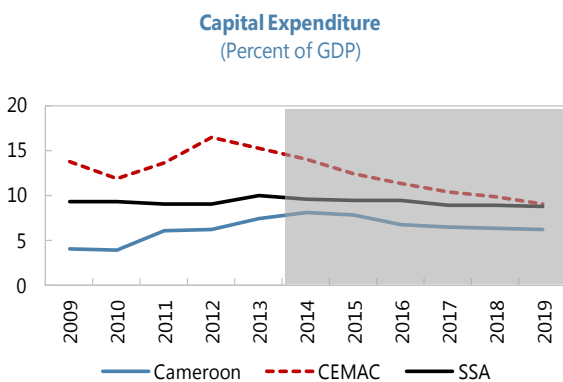
A stable macroeconomic environment evidenced by low inflation...



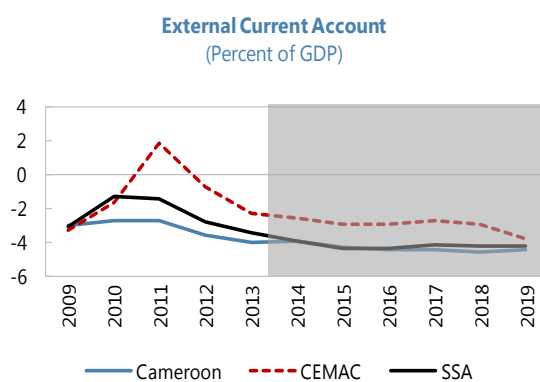
... has allowed for stronger growth,



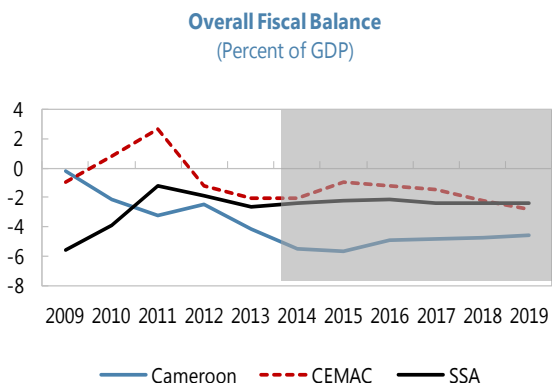
which has been underpinned by increasing public investment.



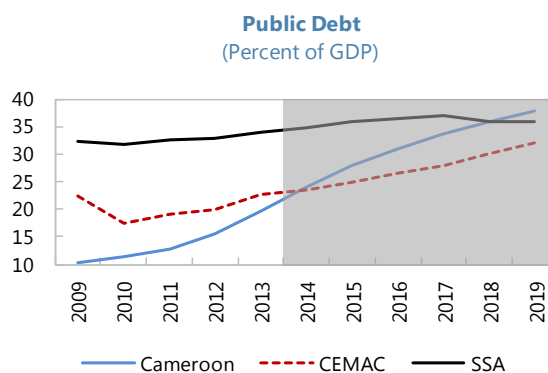
Higher public investment has weighed on the current account...



... and the fiscal deficit,



resulting in a rapid accumulation of debt, albeit from a low level.



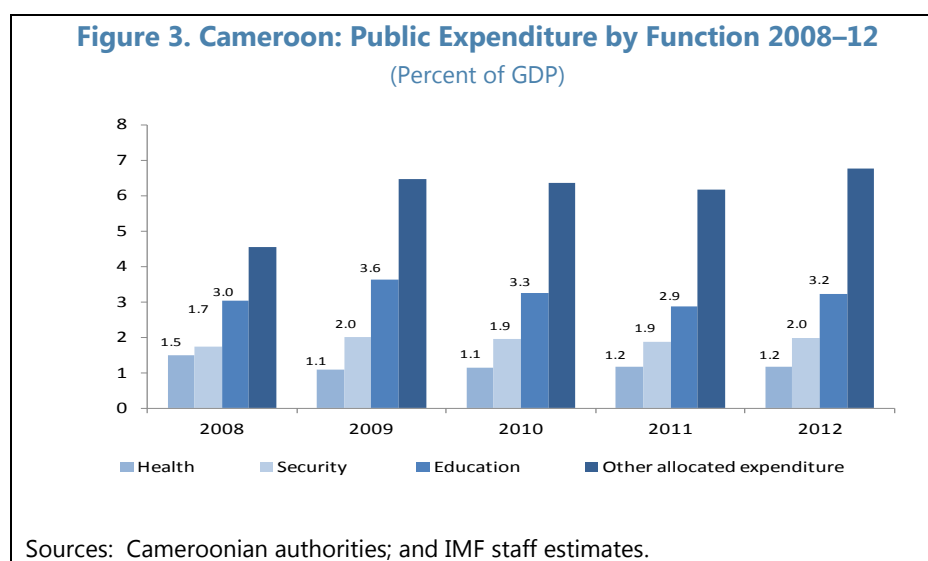
Sources: Country authorities; and IMF staff estimates and projections.

**2. The level and pattern of growth have not been pro-poor.** The population growth rate stymies progress in per capita income growth. Agriculture, which provides a livelihood to most of the poor, has not expanded enough to reduce poverty and inequality. Poverty<sup>1</sup> remains broadly unchanged at close to 40 percent of the population, social indicators are weak, and inequality has likely increased (Text Table 2; Table 13; SIP—Poverty, Inclusiveness, and the Budget).

	2007	2011
Poverty	39.9	38.7
Urban poverty	12.2	10.8
Rural poverty	55.0	59.2
Population growth (annual percentage change)	2.6	2.5
Life expectancy at birth (years)	52	54
Maternal mortality ratio (per 100,000 live births)	720	690
Youth literacy rate	83	81

Sources: World Bank World Development Indicators; and World Bank staff estimates.

**3. The 2013 budget did not support social policies.** Fuel subsidies remained substantial at 2.8 percent of GDP in 2013, and crowded out more effective expenditure. Public spending on health and education was significantly lower than in comparable countries (Figure 3). According to the World Development Indicators, Ghana, Senegal, and Tanzania consistently spend more than of 5 percent of GDP on education. The same countries allocate a minimum of 2.8 percent of GDP to spending on health, more than twice the amount of Cameroon.

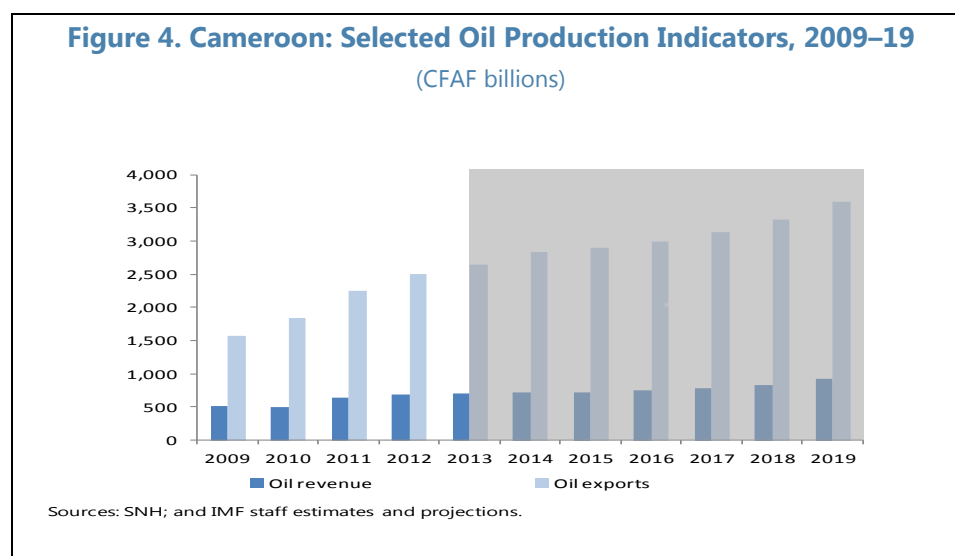


**4. The fiscal outcome has weakened because difficult expenditure rollbacks have been postponed and tax and tariff exemptions remain in place.** The fiscal deficit, on a cash basis, exceeded 4 percent of GDP in 2013. Total revenue increased slightly to 17.8 percent of GDP, but masked a fall in oil revenue because of higher production costs that are slated to absorb a significant part of the higher export proceeds (Figure 4; SIP—Fiscal Regime of the Oil Sector). Tax deductions, special regimes, and tariff exemptions on basic foodstuffs cost more than 2.7 percent of GDP in

<sup>1</sup> The poverty threshold is the adult-equivalent, per person income of CFAF 738, which corresponds to the 2007 price of a basic basket of goods.



forgone revenue. The stock of arrears and other payment obligations rose to 4.6 percent of GDP, *inter alia* because the government could not pay fuel subsidies in full (Tables 6–7).



**5. Reform inertia continued in 2013.** The IMF’s advice got mixed traction (Box 1). In spite of extensive discussions within the government and civil society, retail fuel prices remained frozen at their 2009 level. Conversely, several technical recommendations in fiscal administration and public financial management were implemented. The spate of nationwide elections in 2013 offers an opportunity for economic reforms.<sup>2</sup>

**6. Growth in 2014 is projected at 5.5 percent, below the authorities’ projection of 6 percent.** Over the medium term, staff projects growth at about that same level. Growth will be driven by growing oil production and the public investment program, expected to yield larger electricity and natural gas supplies. Barring fuel price adjustments, inflation is slated to remain low because of stable food prices supported by a growing supply; it would however exceed the very low inflation in the euro area, possibly inducing declining competitiveness.

**7. The fiscal situation is projected to become increasingly fragile, as a result of recurrent budget deficits.** Revenue is projected to fall by up to 1 percentage point of GDP between 2014 and 2019, reflecting generous investment incentives,<sup>3</sup> pervasive tariff exemptions, and weak value-added tax (VAT) collection from ailing public enterprises. Oil revenue will decrease, because rising costs are expected to offset growing output, with international prices trending downward. Expenditure will drop by almost 2 percentage points of GDP by 2019, as the externally financed investment program is scaled back. The wage bill will track GDP growth on the back of hiring trends (SIP—Public Wage Bill

<sup>2</sup> A new Senate was elected in May 2013, and a National Assembly and municipal councils were elected in September 2013.

<sup>3</sup> A law was adopted in 2013 to provide investment incentives through generous tax exemptions, without restricting these exemptions to new investments of strategic importance.

Determinants). The non-oil primary deficit (NOPD) is projected to remain at 8–9 percent of non-oil GDP, while financing gaps averaging 3 percent of GDP would persist.

### Box 1. Cameroon: Response to Past IMF Staff Advice

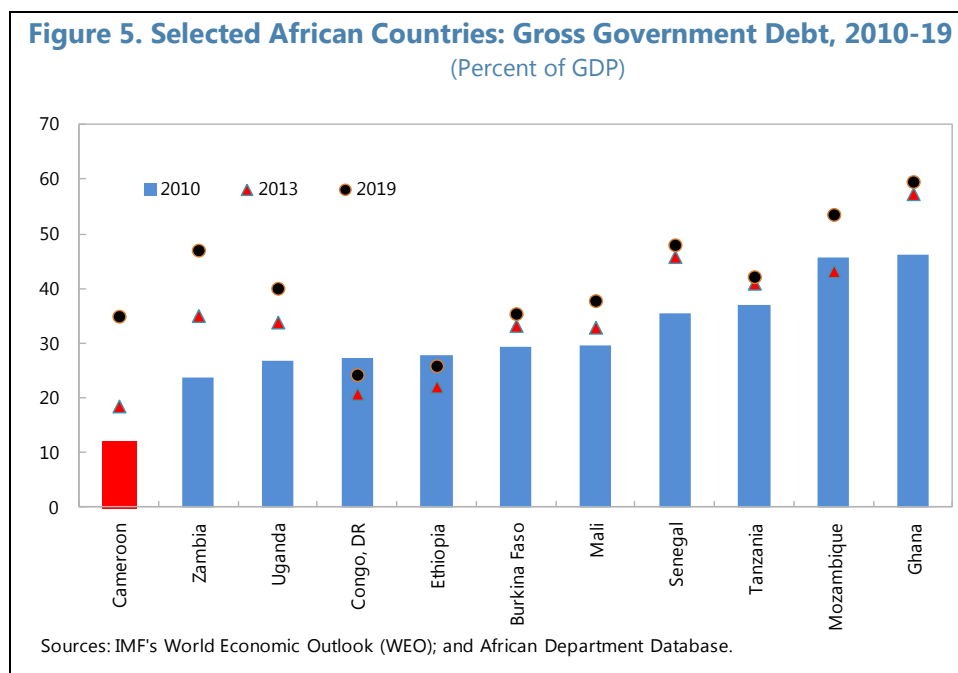
Policy Area	IMF Staff Advice	Response
Fiscal policy and public financial management (PFM)	Address the risks to the 2013 budget through fuel subsidy reform and a reduction in tax and custom exemptions.	The fuel subsidy mechanism was not reformed; the broad tax and custom exemptions were not tightened; expenditure and revenue offsets continued unabated; and treasury management became tenser.
Private sector-led growth	Improve the business climate by limiting the administrative hindrances identified in the Doing Business report.	Measures, such as the new investment incentives law, add complexity rather than simplicity to the business environment, and raise fiscal sustainability concerns.
Financial sector	Improve the frequency and quality of bank supervision by the regional supervisor, COBAC, and strengthen the monitoring of the soundness of the financial sector.	There were significant improvements in the banking sector: the balance sheets of two banks were restructured and are now deemed sound; and the COBAC, has been more active in its supervision. Concerns about the systemic importance of the largest obligor remain.

**8. The real effective exchange rate (REER) is estimated to be somewhat overvalued** (Annex I). The REER has held broadly constant since 2005, with a slight appreciation in 2005–09 offset by similar depreciation since then, in line with the depreciation of the euro relative to the US dollar.<sup>4</sup> Model-based estimates are consistent with the finding of the last Article IV consultation with the CEMAC, which suggested an overvaluation of 6 to 18 percent. Cameroon’s performance in non-price competitiveness is lagging. Encouragingly, Cameroon became compliant with the Extractive Industries Transparency Initiative (EITI) in 2013. However, its rankings under various doing business indicators deteriorated.

**9. External debt remains sustainable, but the associated risk of distress has become “moderate” because of the fast pace of nonconcessional debt accumulation.** External financing is

<sup>4</sup> The exchange arrangement of the CEMAC countries is a conventional pegged arrangement of the CFA franc vis-à-vis the euro.

currently projected to decrease as percent of GDP in the medium term. A higher sustained share of external financing, preserving or exceeding levels observed in 2013 and expected for 2014, would further increase this risk. The current debt burden is low, compared to that of sub-Saharan African (SSA) peers, but it is projected to accelerate (Figure 5). High fiscal deficits together with weak PFM, as evidenced by recurrent domestic arrears, are important factors for risk of debt distress in the medium and long terms. The companion debt sustainability analysis (DSA) shows that another salient threat to sustainability comes from the limited export base, which will be compounded by a relative decline in oil production over time.



**10. There are risks to the outlook** (Annex II). The spillover risks from civil strife in neighboring countries are significant and potentially harmful to the economy. The authorities believed that UN peacekeeping efforts—in which Cameroon participates—would help stabilize the situation. Domestic risks include a banking sector crisis brought on by a default of a large single public borrower.

**11. Data provision to the IMF is broadly adequate for surveillance.** The timeliness has improved, but important qualitative gaps remain in fiscal, debt, and external sector information because of lack of capacity. Information on financial operations on a commitment basis is not available, and debt reporting on externally financed projects is neither regular nor timely.

## POLICY DISCUSSION—REFORMS FOR SUSTAINABLE AND INCLUSIVE GROWTH

*The overarching economic challenge remains higher, sustainable, and more inclusive growth. Cameroon's ambition to become an emerging market economy by 2035 requires a faster growth rate, which in turn requires a prompt implementation of pro-poor and pro-growth policies, and structural reforms.*

### A. Addressing Risks to Fiscal Sustainability

**12. The budget for 2014 targets a decline in revenue and an unrealistic retrenchment in expenditure.** Revenue projections are disappointing, as they target a fall over the 2013 outturn by 1 percentage point of GDP on account of lower oil revenue, customs and VAT receipts, and the impact of investment incentives. Expenditure is projected to contract by 2.5 percentage points of GDP, although it is not clear how this will be achieved. The overall budget deficit would be 2.6 percent of GDP, and is expected to be financed by borrowing. Staff projects a deficit of 5.6 percent of GDP, based on a current expenditure forecast in line with the 2013 outcome and higher public investment. As in previous years, the budget incorporates only about half of the expected cost of fuel subsidies and transfers to public enterprises, and does not include a provision for fuel subsidy arrears.

**13. The Ministry of Finance lacks the tools to weigh on fiscal sustainability.** Revenue performance remains weak compared to SSA peer countries, because of a narrow tax base<sup>5</sup> and generous tax exemptions. The budget does not set a clear anchor for fiscal policy, such as a downward path for the NOPD. Loans for projects and public-private partnerships (PPPs) proceed with little oversight by the Ministry of Finance and their financing terms are not framed in a comprehensive debt policy.

**14. Staff encouraged the authorities to follow a tighter fiscal stance in 2014 and close the projected financing gap.** The tense treasury position—illustrated by shrinking government deposits—and the need to clear deferred payments will require a significant revenue mobilization effort. Staff made the following recommendations to alleviate the fiscal constraints:

- Adopt the NOPD as a fiscal anchor, and set a path that takes into account public investment needs while preserving fiscal sustainability. Staff's analysis suggests that a gradual reduction of the NOPD from the projected 10.3 percent of non-oil GDP in 2014 to about 4 percent by 2034 would help cap total public debt to less than 30 percent of GDP over the long term.<sup>6</sup>
- Improve non-oil revenue by broadening the tax base, adjusting selected tax rates, limiting tax exemptions, and curtailing the application of the investment incentives law. With the expected ratification of the Economic Partnership Agreement (Box 2) and the gradual decline of oil proceeds over the longer term, there is a need to mobilize additional revenue through: (i) lowering the corporate income tax rate while increasing the minimum rate on the turnover tax to reduce

<sup>5</sup> Ten enterprises paid 55 percent of all corporate taxes in 2013.

<sup>6</sup> For an analysis of fiscal sustainability predicated on the NOPD, see Appendix III to IMF Country Report 12/237.

incentives for evasion; (ii) switching to a dual income tax approach and improving the progressivity of the personal income tax; and (iii) lowering the VAT rate while removing the exemptions granted in 2008 on basic foodstuffs—these exemptions have not achieved their intended social impact.

### Box 2. Cameroon: Revenue Impact of the Economic Partnership Agreement

**An economic partnership agreement (EPA) is being negotiated between the CEMAC and the European Union (EU).** Cameroon signed an interim EPA in 2009, which is expected to be ratified in October 2014.<sup>1</sup> The agreement envisages mutual trade liberalization—duty and quota-free EU access for all exports from Cameroon and a gradual removal of duties and quotas over 15 years on up to 80 percent of EU exports to Cameroon.<sup>2</sup> The pace of tariff reduction varies by category of goods (Table). The medium-term impact of the EPA is uncertain, except on government revenue, which is reviewed below.

**The short to medium-term impact on Cameroon’s revenue is expected to be modest.** The impact on tax revenue until 2020 will be negligible (less than 0.1 percent of GDP) for two reasons: (i) the dismantling will begin in 2017 at the earliest and will affect imports that are already partly or totally exempted or moderately taxed (capital goods under Categories I and II); and (ii) tariff losses could be dampened in the short-term if an increase in import volumes partially offsets reductions in tariff rates.

**The long-run effects—with phasing-in over 15 years—will be more substantial under an unchanged policy scenario.** Abundant literature estimates the potential long-term revenue impact of regional trade agreements, such as the EPA.

Revenue loss will come through two channels: (i) the direct channel whereby a zero tariff rate would apply to imports from the EU; and (ii) the indirect channel arising from diversion of trade from taxed non-EU imports to non-taxed EU imports. In 2012, 34 percent of Cameroon’s imports came from the EU suggesting that about one third of current tariff revenues would be lost from the liberalization of 80 percent of EU imports over the long term. This would be equivalent of 0.5–0.6 percent of GDP from the direct channel, consistent with estimates in the government’s growth and employment strategy paper. The revenue loss could be higher if trade diversion from the rest of the world in favor of exempted EU imports happened.

**The fiscal challenge for Cameroon is to reorganize its tax base and develop alternative forms of taxation.** Some positive impacts can be expected from the EPA, such as the widening of the tax base, as incomes rise. The long-term effect will ultimately depend on the authorities’ capacity to offset a reduction in custom revenue by receipts from other sources, such as VAT, excises, and reductions in tax exemptions.

<sup>1</sup> Other CEMAC countries are also negotiating the possible signing of EPAs, but they lag Cameroon.

<sup>2</sup> Products which will not be liberalized include milk, meat, motor vehicles, textiles, and tobacco.

Table. Cameroon: Calendar of tariff dismantlement  
(Percent)

	Category I	Category II	Category III
Year 1	0	0	0
Year 2	0	0	0
Year 3	25	0	0
Year 4	50	15	0
Year 5	75	30	0
Year 6	100	45	0
Year 7		60	10
Year 8		75	20
Year 9		90	30
Year 10		100	40
Year 11			50
Year 12			60
Year 13			70
Year 14			80
Year 15			90
Year 16			100

Source: Article 21 of the Cameroon Interim EPA.

- Strengthen tax administration by finalizing the restructuring of the network of small taxpayer offices, creating additional medium taxpayer offices, and allocating adequate resources to implement reforms.
- Phase out of fuel subsidies gradually and reprioritize expenditure toward social services. Elaborate a communication strategy and develop well-targeted programs to limit the impact of higher fuel prices on the most vulnerable groups. Take preparatory steps to improve transparency, such as removing the producer mark-up from the fuel pricing formula.<sup>7</sup>
- Issue regional bonds in amounts and at a pace consistent with market absorptive capacity and the expected growth impact of concerned projects.
- Rethink the public investment program to improve its efficiency and enhance the complementarity of a limited set of projects with a high impact on growth and poverty reduction.
- Lower debt vulnerabilities by renegotiating the least concessional undisbursed loans; implement a medium-term debt strategy in line with recommendations of joint World Bank-IMF technical assistance, including the consolidation of the authority to contract external debt under the Minister of Finance.
- Monitor contingent liabilities from public enterprises, PPPs, and the banking system. Produce an annual evaluation report on the financial health of all public enterprises, PPPs, and banks, and adopt a payment plan to settle liabilities stemming from situations that have been conclusively addressed.

### ***Authorities' views***

**15. The authorities were confident that they would be able to finance the 2014 budget.** They expected no problem in raising their targeted domestic financing through securities issues on the regional market, as evinced by a largely oversubscribed issue in December 2013. They acknowledged that fuel subsidies were likely to exceed their appropriation, but drew comfort from what they viewed as the tested financing solution of cross-cancellation of mutual debts with the SONARA.

**16. The authorities agreed that current fiscal and debt policies need to be improved to contain the risk of debt distress.** They committed to improving non-oil revenue mobilization, in line with the recommendations of recent FAD technical assistance. They recognized that fuel subsidies are straining the budget, and supported the principle of gradual adjustments in retail prices. They agreed that fuel subsidy reform needs to be well prepared and accompanied by appropriate mitigating measures to preserve social peace. However, they were not in a position to provide a specific timeline for this reform. They noted the need to improve the efficiency of public spending in infrastructure investments and in social sectors. They agreed with the need for better analysis to inform external debt contracting, and believed that the national public debt committee (CNDP), chaired by the Minister of Finance, would fulfill this role. The authorities saw little merit in a strict fiscal rule anchored on the NOPD given the large infrastructure gap.

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<sup>7</sup> For a discussion of fuel subsidy reform, see Appendix I to IMF Country Report 13/279.

## B. Strengthening Public Financial Management

**17. Despite some progress, problems encountered in the shift to program budgeting in 2013 have not been fully resolved.** The transition to new information technology (IT) systems to administer public expenditure with better oversight of commitments and payments has not been completed. In particular, delays in capital expenditure on 2013 appropriations have led the authorities to extend the fiscal year by three months, which blurs the utility of the budget as a strategic financial management tool.

**18. The implementation of the development strategy has been hampered by inadequate monitoring of, and controls over, the public investment program and its financing.** Little progress has been made in project screening, appraisal, and implementation, with a further accumulation of arrears to private companies (e.g., VAT reimbursements). At end-2013, nonconcessional loan agreements totaling up to 15 percent of GDP were contracted, and are disbursed without real-time monitoring.

**19. Staff encouraged the authorities to persevere in implementing the key components of their financial management reforms to improve the effectiveness of public spending.**

- Improve reliability of budgetary and accounting data and improve fiscal transparency by: (i) limiting the reliance on exceptional procedures, such as the extension of the fiscal year—replacing it with credit reports from one year to the next; (ii) reconciling information from different data systems by putting in place the required IT systems to track the flow of funds throughout the expenditure chain; (iii) respecting the single treasury account rule and avoiding spending outside normal budget procedures; (iv) regularizing spending on an exceptional basis at the end of the fiscal year (e.g., cash advances); (v) budgeting and reporting taxes and subsidies on a gross basis; and (vi) avoiding cross-cancellations of taxes against payments due by the government.
- Address the issue of domestic arrears by (i) building a multiyear plan to eliminate audited arrears; (ii) appropriating fuel subsidies and transfers to public enterprises fully; (iii) settling past commitments toward SONARA and oil importers through cash payments to ensure continued refined oil product supplies.

### ***Authorities' views***

**20. The authorities agreed that improving public financial management will be critical to increasing the effectiveness of public expenditure.** They emphasized that progress in this area involved complex reform processes that required strong ownership at all levels to be successful, especially in a context of a tight treasury position. They recognized the adverse impact of belated payments on private sector activity, as companies turned to banks for costly borrowing for working capital. They expressed hope that the resolution of obstacles to the implementation of improved IT systems would lead to an accelerated roll-out of reforms.

## C. Encouraging Private Sector-Led Growth

**21. Staff emphasized the need for reforms in the business environment to leverage the public investment program.** Staff noted that PPPs could help fill the infrastructure gap under the right budgeting, institutional, accounting, and reporting frameworks. However, although Cameroon became compliant with the EITI, its ranking under the Global Competitiveness Index deteriorated marginally (by 3 places); and its ranking under the World Bank’s Doing Business indicators fell more sharply (by 6 places). Although Cameroon’s ranking improved marginally with respect to registering property, its rating deteriorated significantly regarding construction permits, starting a business, getting credit, and enforcing contracts. Staff pointed out that the new investment incentives law does not address these binding constraints on private sector activity, and may even undermine some reforms by increasing discretion in various permitting processes. Staff encouraged the narrowing of the scope of this law to strategic sectors and the requirement of systematic skill transfers, in exchange for fiscal exemptions.

**22. Staff urged the authorities to rekindle regional economic integration and re-establish the effectiveness of regional institutions in light of the new challenges to CEMAC arising from the EPA.** Challenges include a potential diversion of intra-CEMAC trade, as a result of different tariff regimes, and a setback for the harmonization of CEMAC external tariffs.

### *Authorities’ views*

**23. The authorities noted the need to accelerate the pace of reforms that will help the formal private sector flourish.** They were comforted by the improving execution rate of public investment, which they saw as the backbone for future private sector development. They noted that an economic “emergency program” being finalized would energize public administration and help to make new infrastructure operational. They expressed hope that the investment incentives law would attract new investors, and that the new public bank for small and medium enterprises (SMEs), to be launched soon, would help to finance such enterprises.

**24. The authorities considered the ratification of the interim EPA as an important measure to safeguard their access to European markets** (50 percent of exports). They viewed the EPA as an opportunity to strengthen their productive sectors, with financial support from the EU. They also thought the EPA may spur a new round of regional integration within the CEMAC.

## D. Enhancing Financial Intermediation for Broad-Based Growth

**25. Staff noted an improvement in the health of the banking system, which accounts for about half of bank assets in the CEMAC.** The recapitalization of two troubled banks in the past year has reduced systemic risk, although the consolidated data veil frailty in some smaller banks that do not pose a systemic risk (SIP—Financial System Overview). The quality of assets, underscored by a nonperforming loan (NPL) ratio of 13.9 percent, is rather unsatisfactory; and so are provisions for NPLs, at 60 percent. The creation of a specialized public bank to cater to SMEs poses a new NPL risk that the regional supervisory body (COBAC) needs to monitor closely. Excessive exposure by most banks to a financially fragile SONARA is a source of systemic concern.



**26. Staff encouraged the authorities to pursue initiatives to promote financial intermediation.** Despite a jump of almost 15 percent of credit to the private sector in 2013, financial intermediation remains low. Given the already high level of commissions and fees, which account for about 40 percent of the income of the banking sector, profit growth for banks is more likely to come from transforming the prevalent high liquidity into investments. Initiatives to facilitate lending include a pooling of data on debtors, and closer monitoring of microfinance institutions. However, little progress has been made in enforcing contracts through the judicial system and in using real property as collateral.

**27. Staff noted the ongoing efforts to strengthen supervision through better staffing of the COBAC, and progress in articulating crisis prevention and resolution frameworks at the regional level.** Key objectives include a lowering of the time that a bank can spend under provisional administration, so that decisions on restructuring or closing can be expedited; the imposition of management guidelines stressing asset conservation; and the inclusion of the full cost of a bank's resolution in the budget. Staff proposed that a memorandum of understanding be drawn between the COBAC and the Ministry of Finance to enhance information sharing and set a division of labor in microfinance supervision.

#### ***Authorities' views***

**28. The authorities recognized the risk posed by the concentration of bank credit on ailing public enterprises.** They opined that liquidity problems of large debtors would be resolved through a progressive clearing of government obligations. They also noted that the ongoing expansion of SONARA's refining capacity would improve its financial situation.

**29. The authorities committed to limiting the risks linked to the new bank for SMEs.** They pointed out the active supervision of COBAC, and added that new tools by the national branch of the regional central bank (BEAC), such as maintaining a real-time credit registry, would help the bank to make informed decisions.

## **E. Reform Scenario**

**30. Staff presented a moderate reform scenario.** Its main tenets are (i) a reining in of the fiscal deficit and of the pace of debt accumulation helped by a gradual adjustment in retail fuel prices of gasoline and diesel that would not reach full cost-recovery levels over the medium term; (ii) tax policy reforms to reduce exemptions, adjust selected tax rates, and broaden tax bases; and (iii) an acceleration of private sector growth from improvements in the business environment and strengthening of the anti-corruption framework.

**31. The reform scenario would lead to an increase in growth by up to ½ percentage point of GDP by 2019** (Text Table 3). Improved tax performance and more efficient public investment spending would create fiscal space for social spending and the maintenance cost of new infrastructure. Together with business environment reforms, these expenditure and tax policies would enhance growth, and limit the fiscal deficit significantly over the medium term. Inflation would see a modest temporary increase owing to the fuel price adjustments, but would remain well within single digits.

**Text Table 3. Cameroon: Selected Macroeconomic Indicators, 2014–19**

(Units as indicated)

	2014	2015	2017	2019	2015	2017	2019
	Common	Baseline Scenario			Reform Scenario		
<b>Economic growth and prices<sup>1</sup></b>							
Real GDP	5.5	5.5	5.5	5.5	5.6	5.8	6.0
Non-oil real GDP	5.6	5.4	5.4	5.5	5.5	5.7	6.0
Consumer prices (period average)	2.2	2.2	2.2	2.2	2.6	2.6	2.2
<b>Fiscal aggregates</b>							
Total revenue (incl. grants) <sup>2</sup>	18.5	18.2	17.6	17.5	18.9	18.9	19.1
Of which: Oil <sup>2</sup>	4.6	4.3	4.0	4.1	4.3	4.0	4.0
Non-oil <sup>3</sup>	14.4	14.3	14.1	14.0	15.1	15.6	15.8
Total expenditure, cash basis <sup>2</sup>	24.0	23.9	22.5	22.2	22.0	20.6	20.3
Of which: Non-interest current	15.5	15.3	15.1	15.0	13.5	13.1	12.8
Capital	8.0	7.9	6.5	6.2	7.8	6.8	6.7
Overall budget balance, cash basis (incl. grants) <sup>2</sup>	-5.6	-5.7	-4.9	-4.7	-3.2	-1.8	-1.2
Non-oil primary balance <sup>3</sup>	-10.3	-9.9	-8.6	-8.2	-7.2	-5.3	-4.7
Total public debt <sup>2</sup>	24.0	28.0	33.8	38.4	25.5	25.7	24.8
<b>External sector<sup>2</sup></b>							
Current account (incl. grants)	-3.8	-4.2	-4.4	-4.4	-4.2	-4.4	-4.5

Sources: Cameroonian authorities; and IMF staff estimates and projections.  
<sup>1</sup> Percentage change.  
<sup>2</sup> Percent of GDP.  
<sup>3</sup> Percent of non-oil GDP.

**Authorities' views**

**32. The authorities found the reform scenario realistic.** They accepted the need for reforms to fiscal policy and the business environment, but were of the view that their ongoing reform efforts, at a pace more compatible with Cameroon's social realities, paired with the rapid implementation of the public investment program, would yield similar results.

**STAFF APPRAISAL**

**33. Cameroon's increased public investment spending has accelerated growth.** The authorities need to implement higher quality policies and improve governance to promote development. The current level of growth, in itself, is not sufficient to accelerate poverty reduction and achieve upper-middle-income country status by 2035. A combination of reforms to enhance the cost-effectiveness of public expenditure and to foster private sector response has become critical. Regional security risks add an element of urgency to reforms to make the economy more resilient and to rekindle regional integration.

**34. The fiscal stance requires adjustment.** Risks to the 2014 budget need to be addressed without delay to avoid further accumulation of domestic arrears that undermine fiscal sustainability. Non-oil revenue performance will remain tepid unless unwarranted exemptions are removed, the tax base is broadened, and tax administration is made more effective. International oil prices and domestic demand will keep fuel subsidies high, unless pump prices are progressively raised. Contingent liabilities in the public and banking sectors and PPPs threaten fiscal sustainability.

**35. The envisaged ratification of the EPA could further undermine revenue in the long term.** An evaluation of its direct and indirect impacts on revenue is necessary, and could inform new discussions on regional integration with CEMAC partner countries.

**36. Although debt remains sustainable, new external liabilities have pushed the risk of external debt distress from “low” to “moderate.”** The level of external debt remains low relative to the average of SSA, but the pace of debt accumulation is faster, and the risk of external debt distress would be higher still if the composition of future financing were to preserve or exceed external levels observed in 2013 and expected for 2014, rather than gradually decreasing as currently projected. The sensitivity of external debt sustainability to exports calls for export diversification.

**37. The projected external debt accumulation points to a need to generate more value from public investment.** A three-pronged approach is necessary: (i) a new round of project selection to identify projects with a high impact on growth and poverty reduction, and the rolling back of non-essential projects; (ii) the integrity of public financial management needs to be strengthened, including competitive procurement to generate more cost-effective spending; and (iii) the terms of new debt need to be more concessional.

**38. A broad array of reforms to the business environment needs to be initiated, because its credibility will take time to establish.** The private sector needs to take over as the main engine of growth by the time the public investment program is scaled back. The various reform areas cited by the Doing Business indicators point to a direct link between improvements in revenue policy, public financial management and private sector activity; they include “trading across borders” and “paying taxes.”

**39. Risks to the banking system have receded, but financial intermediation remains low.** The restructuring of two troubled banks leaves only three small banks in need of a resolution. The microfinance sector could expand faster and with less risk with the adoption of a regulatory framework and diligent joint supervision by COBAC and the Ministry of Finance. The new bank for SMEs is in need of regulatory vigilance, starting with its credit policy.

**40. Staff recommends that the next Article IV consultation take place on the standard 12-month cycle,** in accordance with the Decision on Article IV Consultation Cycles (Decision No. 14747–(10/96) (9/28/2010).

Table 1. Cameroon: Selected Economic and Financial Indicators, 2012–19

	2012	2013	2014	2015	2016	2017	2018	2019
		Est.			Projections			
(Annual percentage change, unless otherwise indicated)								
<b>National account and prices</b>								
GDP at constant prices	4.6	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Oil GDP at constant prices	3.5	3.0	4.5	9.0	9.0	9.0	9.0	6.5
Non-Oil GDP at constant prices	4.6	5.6	5.6	5.4	5.4	5.4	5.4	5.5
GDP deflator	3.1	1.5	2.1	1.9	2.0	1.9	1.9	1.9
Nominal GDP <sup>1</sup> (at market prices, CFAF billions)	13,515	14,463	15,565	16,732	18,005	19,359	20,816	22,390
Oil	1,075	1,067	1,084	1,088	1,108	1,145	1,199	1,278
Non-Oil	12,440	13,396	14,481	15,644	16,897	18,214	19,618	21,112
Oil output (thousands of barrels per day)	61.3	66.5	72.5	79.0	86.1	93.9	102.3	109.0
Consumer prices (average)	2.4	2.1	2.2	2.2	2.2	2.2	2.2	2.2
<b>External trade</b>								
Export volume	8.3	3.0	7.6	9.5	9.5	9.5	9.5	9.0
Oil sector	7.9	9.5	9.5	9.5	9.4	9.4	9.4	6.7
Non-oil sector	8.4	1.8	7.2	9.5	9.5	9.5	9.5	9.5
Import volume	2.2	6.5	8.2	7.6	7.5	7.0	6.8	6.8
Average oil export price <sup>2</sup> (US\$ per barrel)	111.7	108.9	107.2	100.4	95.0	91.5	89.1	90.4
Nominal effective exchange rate (depreciation -)	-3.2	3.6	...	...	...	...	...	...
Real effective exchange rate (depreciation -)	-4.2	2.8	...	...	...	...	...	...
Terms of trade	0.3	0.9	0.1	-3.3	-3.0	-2.9	-4.9	0.3
Export price index	1.7	-1.6	-1.0	-4.1	-4.6	-3.3	-3.6	-0.7
Non-oil export price index	3.8	-1.7	0.5	-1.6	-4.6	-3.1	-1.6	-2.1
Import price index	1.4	-2.4	-1.1	-0.8	-1.6	-0.4	0.2	0.1
<b>Money and credit</b>								
Broad money (M2)	1.4	10.8	7.1	7.5	7.6	7.5	7.5	7.6
Net foreign assets <sup>3</sup>	-3.3	0.8	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3
Net domestic assets <sup>3</sup>	4.6	10.1	7.5	7.9	8.0	7.9	7.9	7.9
Domestic credit to the private sector	2.6	14.9	11.1	11.2	11.0	10.3	9.9	10.0
(Percent of GDP, unless otherwise indicated)								
Gross national savings	17.1	17.2	17.6	17.7	17.9	18.1	18.4	18.7
Gross domestic investment	20.7	21.1	21.4	21.9	22.3	22.5	22.9	23.1
Public investment	6.2	7.4	8.0	7.9	6.7	6.5	6.3	6.2
Private investment	14.5	13.7	13.3	14.0	15.6	16.1	16.7	16.9
<b>Central government operations</b>								
Total revenue (excluding grants)	17.5	17.8	18.0	17.7	17.5	17.3	17.2	17.3
Oil revenue	5.1	4.8	4.6	4.3	4.1	4.0	4.0	4.1
Non-oil revenue	12.4	13.0	13.4	13.4	13.3	13.3	13.3	13.2
Non-oil revenue (percent of non-oil GDP)	13.5	14.0	14.4	14.3	14.2	14.1	14.1	14.0
Total expenditure	19.5	22.1	24.0	23.9	22.7	22.5	22.3	22.2
Overall fiscal balance (cash basis)								
Excluding grants	-2.9	-4.4	-6.1	-6.2	-5.3	-5.2	-5.1	-4.9
Including grants	-2.5	-4.1	-5.6	-5.7	-5.0	-4.9	-4.8	-4.7
Non-oil primary balance (percent of non-oil GDP)	-6.9	-9.1	-10.3	-9.9	-8.9	-8.6	-8.3	-8.2
<b>External sector</b>								
Current account balance								
Including official grants	-3.6	-3.9	-3.8	-4.2	-4.4	-4.4	-4.5	-4.4
Excluding official grants	-4.1	-4.4	-4.3	-4.6	-4.8	-4.8	-4.9	-4.8
Gross reserves imputed to Cameroon (US\$ billions)	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4
(percent of broad money)	54.2	47.6	44.1	40.6	37.4	34.4	31.7	29.2
CEMAC gross reserves (US\$ billions)	17.5	18.5	20.1	20.8	22.0	23.1	23.4	24.4
(months of CEMAC imports of GNFS)	5.7	5.9	6.3	6.4	6.6	6.7	6.7	7.7
<b>Public debt</b>								
Stock of public debt <sup>4</sup>	15.6	19.5	24.0	28.0	31.1	33.8	36.3	38.4
Of which: external debt	9.0	12.5	14.7	16.4	17.2	17.7	17.8	17.8
(Percent of exports of goods and services, unless otherwise indicated)								
Present value of external debt <sup>5,6</sup>	23.6	28.2	37.7	44.4	48.9	51.8	53.5	54.3
External debt service	1.7	1.9	2.7	3.1	3.3	3.6	4.3	4.5
External debt service (percent of government revenue)	2.6	2.8	4.0	4.6	4.8	5.3	6.2	6.5

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

<sup>1</sup> Nominal GDP was revised upward in 2012.

<sup>2</sup> The export price for oil reflects actual prices for past years; for the current and future years, projections reflect movements in the price of Average Petroleum Spot Price (APSP) crude, less a cumulative prudence factor of US\$0.5 for each outer year.

<sup>3</sup> Percent of broad money at the beginning of the period.

<sup>4</sup> Includes the cumulative financing gaps.

<sup>5</sup> Projections are taken from the 2014 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).

<sup>6</sup> Present value computed with a discount rate of 5 percent.

**Table 2. Cameroon: Central Government Operations, 2012–19**

(CFAF billions, unless otherwise indicated)

	2012	2013	2014			2015	2016	2017	2018	2019	
		Est.	Budget	End-Mar.	Proj.	Adj. Proj.	Projections				
Total revenue and grants	2,426	2,623	2,668	674	2,887	2,697	3,050	3,195	3,401	3,633	3,917
Total revenue	2,370	2,576	2,613	674	2,803	2,613	2,966	3,143	3,352	3,588	3,877
Oil sector revenue	693	700	718	103	718	718	725	745	780	829	920
Non-oil sector revenue <sup>1</sup>	1,677	1,877	1,895	571	2,086	1,896	2,241	2,397	2,572	2,759	2,957
Direct taxes	471	513	...	236	566	566	617	667	719	774	833
Special tax on petroleum products	97	110	...	31	123	123	133	144	155	167	178
Other taxes on goods and services	720	852	...	208	964	820	1,025	1,090	1,168	1,253	1,343
Taxes on international trade	294	290	...	79	346	301	369	392	417	443	471
Non-tax revenue	94	112	...	17	86	86	97	105	113	122	131
Total grants	56	46	55	1	84	84	84	53	49	44	40
Projects	13	6	17	1	42	42	45	17	17	17	17
Other (debt relief)	43	40	38	0	42	42	39	36	32	28	23
Total expenditure	2,641	3,200	3,048	551	3,732	3,542	3,991	4,086	4,347	4,636	4,963
Current expenditure	1,807	2,133	2,048	412	2,479	2,289	2,677	2,874	3,093	3,326	3,579
Wages and salaries	706	790	835	200	859	859	922	990	1,062	1,140	1,223
Goods and services	575	677	641	109	681	681	735	794	856	922	993
Subsidies and transfers	474	608	533	84	871	681	909	953	1,006	1,068	1,136
Fuel subsidies <sup>2</sup>	103	207	220	0	428	238	431	437	449	468	490
Pensions	137	154	155	37	176	176	190	206	222	239	257
Other	234	247	158	47	267	267	288	311	335	361	389
Interest	51	58	39	19	68	68	110	136	168	196	227
External	38	47	24	17	49	49	69	85	97	108	119
Domestic	13	11	15	1	19	19	41	52	71	88	109
Capital expenditure	834	1,067	1,000	139	1,253	1,253	1,314	1,213	1,254	1,309	1,384
Domestically financed investment	513	514	639	73	592	592	637	685	737	792	852
Foreign-financed investment	259	493	291	61	591	591	608	457	447	447	467
Rehabilitation and participation	61	60	70	4	70	70	70	70	70	70	65
Payment of government obligations	-116	-18	-20	-4	-20	-20	-16	-10	-8	-7	-6
Audited arrears	-24	-18	-20	-4	-20	-20	-16	-10	-8	-7	-6
Obligations to SONARA and oil importers <sup>2</sup>	-93	0	0	0	0	0	0	0	0	0	0
Overall balance (cash basis)											
Excluding grants	-387	-642	-345	119	-949	-949	-1,041	-953	-1,003	-1,054	-1,092
Including grants	-331	-595	-400	120	-865	-865	-957	-900	-954	-1,009	-1,052
Financing	331	595	400	-120	158	158	536	415	352	289	273
External financing, net	183	426	193	52	441	441	448	330	309	280	288
Amortization	-63	-60	-81	-9	-108	-108	-115	-111	-121	-150	-163
Drawings	247	487	274	60	549	549	563	441	431	431	451
Domestic financing, net	154	172	207	-96	-283	-283	88	85	42	9	-15
Banking system	103	24	100	0	0	0	0	0	0	0	0
Security issue	0	80	180	0	100	100	200	200	200	200	200
Amortization of domestic debt	-101	-86	-73	-6	-383	-383	-112	-115	-158	-191	-215
Securitization of arrears to SONARA	85	0	0	0	0	0	0	0	0	0	0
Other domestic financing	66	154	0	-90	0	0	0	0	0	0	0
Errors and omissions	-6	-3	0	-75	0	0	0	0	0	0	0
Financing gap	0	0	0	0	708	708	421	485	602	720	779
<i>Memorandum items:</i>											
Primary balance	-164	-519	-341	19	-777	-777	-831	-754	-777	-806	-819
Non-oil primary balance	-857	-1,219	-1,059	-84	-1,494	-1,494	-1,556	-1,500	-1,557	-1,635	-1,739
Taxes owed by SONARA <sup>1</sup>	145	185	0	...	190	190	195	200	207	216	226

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

<sup>1</sup> Historical and budget figures exclude direct taxes, customs duties, and VAT 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 2014 onward, projections for these taxes are made on a gross basis, except for the "adjusted projections" column, which is presented after expected cross-cancellations, to be comparable with the budget.<sup>2</sup> Figures for 2012 include securitization of fuel subsidies due to SONARA.

**Table 3. Cameroon: Central Government Operations, 2012–19**  
(Percent of GDP, unless otherwise indicated)

	2012	2013		2014		2015	2016	2017	2018	2019
		Est.	Budget	Proj.	Adj. Proj.	Projections				
Total revenue and grants	17.9	18.1	17.1	18.5	17.3	18.2	17.7	17.6	17.5	17.5
Total revenue	17.5	17.8	16.8	18.0	16.8	17.7	17.5	17.3	17.2	17.3
Oil sector revenue	5.1	4.8	4.6	4.6	4.6	4.3	4.1	4.0	4.0	4.1
Non-oil sector revenue <sup>1</sup>	12.4	13.0	12.2	13.4	12.2	13.4	13.3	13.3	13.3	13.2
Direct taxes	3.5	3.5	...	3.6	3.6	3.7	3.7	3.7	3.7	3.7
Special tax on petroleum products	0.7	0.8	...	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Other taxes on goods and services	5.3	5.9	...	6.2	5.3	6.1	6.1	6.0	6.0	6.0
Taxes on international trade	2.2	2.0	...	2.2	1.9	2.2	2.2	2.2	2.1	2.1
Non-tax revenue	0.7	0.8	...	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total grants	0.4	0.3	0.4	0.5	0.5	0.5	0.3	0.3	0.2	0.2
Projects	0.1	0.0	0.1	0.3	0.3	0.3	0.1	0.1	0.1	0.1
Other (debt relief)	0.3	0.3	0.2	0.3	0.3	0.2	0.2	0.2	0.1	0.1
Total expenditure	19.5	22.1	19.6	24.0	22.8	23.9	22.7	22.5	22.3	22.2
Current expenditure	13.4	14.7	13.2	15.9	14.7	16.0	16.0	16.0	16.0	16.0
Wages and salaries	5.2	5.5	5.4	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Goods and services	4.3	4.7	4.1	4.4	4.4	4.4	4.4	4.4	4.4	4.4
Subsidies and transfers	3.5	4.2	3.4	5.6	4.4	5.4	5.3	5.2	5.1	5.1
Fuel subsidies <sup>2</sup>	0.8	1.4	1.4	2.7	1.5	2.6	2.4	2.3	2.2	2.2
Pensions	1.0	1.1	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Other	1.7	1.7	1.0	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Interest	0.4	0.4	0.2	0.4	0.4	0.7	0.8	0.9	0.9	1.0
External	0.3	0.3	0.2	0.3	0.3	0.4	0.5	0.5	0.5	0.5
Domestic	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.4	0.4	0.5
Capital expenditure	6.2	7.4	6.4	8.0	8.0	7.9	6.7	6.5	6.3	6.2
Domestically financed investment	3.8	3.6	4.1	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Foreign-financed investment	1.9	3.4	1.9	3.8	3.8	3.6	2.5	2.3	2.1	2.1
Rehabilitation and participation	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3
Payment of government obligations	-0.9	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0
Audited arrears	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0
Obligations to SONARA and oil importers <sup>2</sup>	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)										
Excluding grants	-2.9	-4.4	-2.2	-6.1	-6.1	-6.2	-5.3	-5.2	-5.1	-4.9
Including grants	-2.5	-4.1	-2.6	-5.6	-5.6	-5.7	-5.0	-4.9	-4.8	-4.7
Financing	2.5	4.1	2.6	1.0	1.0	3.2	2.3	1.8	1.4	1.2
External financing, net	1.4	2.9	1.2	2.8	2.8	2.7	1.8	1.6	1.3	1.3
Amortization	-0.5	-0.4	-0.5	-0.7	-0.7	-0.7	-0.6	-0.6	-0.7	-0.7
Drawings	1.8	3.4	1.8	3.5	3.5	3.4	2.4	2.2	2.1	2.0
Domestic financing, net	1.1	1.2	1.3	-1.8	-1.8	0.5	0.5	0.2	0.0	-0.1
Banking system	0.8	0.2	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Security issue	0.0	0.6	1.2	0.6	0.6	1.2	1.1	1.0	1.0	0.9
Amortization of domestic debt	-0.7	-0.6	-0.5	-2.5	-2.5	-0.7	-0.6	-0.8	-0.9	-1.0
Securitization of arrears to SONARA	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other domestic financing	0.5	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	4.5	4.5	2.5	2.7	3.1	3.5	3.5
<i>Memorandum items:</i>				(Percent of non-oil GDP)						
Non-oil revenue	13.5	14.0	13.1	14.4	13.1	14.3	14.2	14.1	14.1	14.0
Non-oil primary balance	-6.9	-9.1	-7.3	-10.3	-10.3	-9.9	-8.9	-8.6	-8.3	-8.2
				(Percent of GDP)						
Primary balance	-1.2	-3.6	-2.2	-5.0	-5.0	-5.0	-4.2	-4.0	-3.9	-3.7
Stock of total public debt	15.6	19.5	...	24.0	24.0	28.0	31.1	33.8	36.3	38.4
Stock of external public debt	9.0	12.5	...	14.7	14.7	16.4	17.2	17.7	17.8	17.8
Taxes owed by SONARA <sup>1</sup>	1.1	1.3	0.0	1.2	1.2	1.2	1.1	1.1	1.0	1.0
Nominal GDP (CFAF billions)	13,515	14,463	15,565	15,565	15,565	16,732	18,005	19,359	20,816	22,390
Nominal non-oil GDP (CFAF billions)	12,440	13,396	14,481	14,481	14,481	15,644	16,897	18,214	19,618	21,112

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

<sup>1</sup> Historical and budget figures exclude direct taxes, customs duties, and VAT 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 2014 onward, projections for these taxes are made on a gross basis, except for the "adjusted projections" column, which is presented after expected cross-cancellations, to be comparable with the budget.

<sup>2</sup> Figures for 2012 include securitization of fuel subsidies due to SONARA.

**Table 4. Cameroon: Balance of Payments, 2012–19**  
(CFAF billions, unless otherwise indicated)

	2012	2013	2014	2015	2016	2017	2018	2019
		Est.			Projections			
Current account balance	-488.3	-560.6	-589.9	-699.5	-784.9	-855.1	-945.8	-995.4
Trade balance	-140.1	-185.6	-211.5	-278.9	-338.6	-383.6	-434.5	-447.3
Exports, goods	2,939.0	2,980.2	3,173.5	3,332.5	3,480.9	3,685.1	3,919.6	4,208.9
Oil and oil products	1,509.2	1,549.2	1,631.3	1,670.0	1,744.1	1,843.0	1,949.2	2,082.6
Non-oil sector	1,429.8	1,431.0	1,542.2	1,662.4	1,736.8	1,842.1	1,970.4	2,126.3
Imports, goods	-3,079.1	-3,165.8	-3,385.0	-3,611.4	-3,819.5	-4,068.7	-4,354.1	-4,656.3
Services (net)	-255.5	-264.5	-261.2	-279.0	-282.5	-287.1	-304.2	-326.0
Income (net)	-227.2	-272.6	-283.1	-311.7	-338.6	-363.6	-390.8	-408.2
<i>Of which: interest due on public debt</i>	-38.0	-47.4	-49.0	-69.0	-84.7	-97.1	-108.2	-118.6
Transfers (net)	134.5	162.1	165.9	170.0	174.8	179.2	183.7	186.1
Inflows	264.7	318.0	322.7	327.5	332.7	337.9	342.8	348.3
Outflows	-130.2	-155.9	-156.8	-157.5	-157.9	-158.6	-159.1	-162.1
Capital and financial account balance	617.3	469.4	574.9	684.5	769.9	840.1	930.8	980.4
Capital account	12.6	6.2	42.0	44.7	16.7	16.7	16.7	16.7
Financial account	604.7	463.3	533.0	639.8	753.3	823.4	914.1	963.8
Official capital	200.3	441.4	455.5	463.1	335.9	307.0	265.9	260.8
Long-term borrowing	274.0	512.0	574.0	588.3	466.8	458.4	461.2	483.5
<i>Of which: central government</i>	246.7	486.5	548.8	563.1	440.8	430.5	430.5	450.5
Amortization	-73.7	-70.6	-118.6	-125.3	-130.9	-151.5	-195.4	-222.7
<i>Of which: central government</i>	-63.4	-60.2	-108.3	-115.0	-111.1	-121.3	-150.3	-162.6
Non-official capital (net)	404.4	21.9	77.5	176.8	417.4	516.5	648.3	702.9
Oil sector	80.6	96.9	94.1	92.4	91.3	89.9	88.6	85.7
Non-oil sector	323.8	-75.0	-16.6	84.4	326.1	426.6	559.6	617.3
Errors and omissions	-85.1	47.2	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	43.9	-44.0	-15.0	-15.0	-15.0	-15.0	-15.0	-15.0
Financing								
Change in imputed reserves (BEAC)	-43.9	44.0	15.0	15.0	15.0	15.0	15.0	15.0
			(Percent of GDP)					
Trade balance	-1.0	-1.3	-1.4	-1.7	-1.9	-2.0	-2.1	-2.0
Imports	22.8	21.9	21.7	21.6	21.2	21.0	20.9	20.8
Non-oil exports	10.6	9.9	9.9	9.9	9.6	9.5	9.5	9.5
Current account balance								
Excluding grants	-4.1	-4.4	-4.3	-4.6	-4.8	-4.8	-4.9	-4.8
Including grants	-3.6	-3.9	-3.8	-4.2	-4.4	-4.4	-4.5	-4.4
Overall balance	0.4	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
			(Percentage change, unless otherwise indicated)					
Export volume	8.3	3.0	7.6	9.5	9.5	9.5	9.5	9.0
Crude oil	7.9	9.5	9.5	9.5	9.4	9.4	9.4	6.7
Non-oil sector	8.4	1.8	7.2	9.5	9.5	9.5	9.5	9.5
Import volume	2.2	6.5	8.2	7.6	7.5	7.0	6.8	6.8
Terms of trade	0.3	0.9	0.1	-3.3	-3.0	-2.9	-4.9	0.3
Non-oil export price index	3.8	-1.7	0.5	-1.6	-4.6	-3.1	-1.6	-2.1
Export price index (CFAF)	1.7	-1.6	-1.0	-4.1	-4.6	-3.3	-3.6	-0.7
Import price index (CFAF)	1.4	-2.4	-1.1	-0.8	-1.6	-0.4	0.2	0.1
Exchange rate (CFAF per US\$; period average)	510.2	493.9	...	...	...	...	...	...
Gross official reserves (imputed reserves, US\$ billions)	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4

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

**Table 5. Cameroon: Monetary Survey, 2012–19**  
(CFAF billions, unless otherwise indicated)

	2012	2013	2014	2015	2016	2017	2018	2019
		Est.				Projections		
Net foreign assets	1,528	1,551	1,536	1,521	1,506	1,491	1,476	1,461
Bank of Central African States (BEAC)	1,462	1,418	1,403	1,388	1,373	1,358	1,343	1,328
Commercial banks	66	133	133	133	133	133	133	133
Net domestic assets	1,546	1,856	2,113	2,402	2,715	3,048	3,404	3,788
Domestic credit	1,627	1,931	2,188	2,476	2,790	3,122	3,479	3,863
Net claims on the public sector	-95	-68	-38	-2	35	77	125	174
Net credit to the central government	-71	-37	-37	-37	-37	-37	-37	-37
Claims	266	326	323	306	290	274	260	248
Deposits	-337	-363	-360	-343	-327	-311	-297	285
Credit to autonomous agencies	37	34	39	45	52	60	69	79
Credit to public enterprises	113	145	170	200	229	264	303	341
Deposits of other public entities	-174	-210	-210	-210	-210	-210	-210	-210
Credit to financial institutions	29	55	65	76	89	105	121	133
Credit to the private sector	1,693	1,944	2,161	2,403	2,666	2,941	3,233	3,557
Other items (net)	-80	-75	-75	-75	-75	-75	-75	-75
Money and quasi-money	3,074	3,407	3,649	3,923	4,221	4,539	4,880	5,249
Currency outside banks	555	561	609	664	723	787	855	929
Deposits	2,519	2,847	3,040	3,259	3,498	3,752	4,025	4,320
<i>Memorandum items:</i>								
Contribution to the growth of broad money (percentage points)								
Net foreign assets	-3.3	0.8	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3
Net domestic assets	4.6	10.1	7.5	7.9	8.0	7.9	7.9	7.9
Of which: net credit to the central government	3.9	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Private sector credit								
Annual percentage change	2.6	14.9	11.1	11.2	11.0	10.3	9.9	10.0
In percent of GDP	12.5	13.4	13.9	14.4	14.8	15.2	15.5	15.9
Broad money (annual percentage change)	1.4	10.8	7.1	7.5	7.6	7.5	7.5	7.6
Currency	8.8	0.9	8.6	9.0	9.0	8.8	8.7	8.6
Deposits	-0.1	13.0	6.8	7.2	7.3	7.3	7.3	7.3
Velocity (GDP/M2)	4.4	4.2	4.3	4.3	4.3	4.3	4.3	4.3
Government usable deposits <sup>1</sup>								
Nominal (CFAF billions)	44.5	23.4	5.0	5.0	5.0	5.0	5.0	5.0
In months of total expenditure	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0

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

<sup>1</sup> Deposits that are readily available for government operations.



**Table 6. Cameroon: Obligations to SONARA, 2008–13**  
(CFAF billions, unless otherwise indicated)

	2008	2009	2010	2011	2012 <sup>1</sup>	2013 <sup>1</sup>
						Est.
I. Fuel Subsidies (accrual basis)	137	23	145	318	322	297
<i>(Percent of GDP)</i>	1.3	0.2	1.2	2.5	2.4	2.1
II. Financing	58	18	107	282	285	300
A. Cash transfers	58	18	107	97	55	115
B. Securitization	0	0	0	80	85	0
C. Cancellation of taxes	0	0	0	105	145	185
III. Net accumulation of obligations	79	5	38	36	37	-3
IV. Obligations to SONARA <sup>2</sup>	94	98	136	172	209	206
<i>(Percent of GDP)</i>	0.9	0.9	1.2	1.4	1.5	1.4

Sources: Cameroonian authorities; and IMF staff estimates.  
<sup>1</sup> Fuel subsidies in 2012 and 2013 do not include imports of refined products by private companies.  
<sup>2</sup> Stock (n) = Stock (n-1) + Net accumulation of obligations (n).

**Table 7. Cameroon: Government Arrears and Other Payment Obligations, 2010–13**  
(CFAF billions, unless otherwise indicated)

	2010		2011		2012		2013	
	Annual flows	End-year stocks	Annual flows	End-year stocks	Annual flows	End-year stocks	Annual flows	End-year stocks
A. Audited arrears <sup>1</sup>	-34.7	178.3	-15.2	163.1	-23.7	146.4	-18.3	128.0
<i>(Percent of GDP)</i>		1.5		1.3		1.1		0.9
B. Unsettled payment orders (UPOs)	10.6	270.6	-141.3	129.3	48.7	178.0	77.1	255.1
<i>(Percent of GDP)</i>		2.3		1.0		1.3		1.8
C. Obligations to SONARA	37.9	136.2	36.0	172.2	37.2	209.5	-3.5	206.0
<i>(Percent of GDP)</i>		1.2		1.4		1.6		1.4
D. Obligations to oil importers		0.0		0.0	64.4	64.4	15.3	79.7
<i>(Percent of GDP)</i>		0.0		0.0		0.5		0.6
E. Total arrears and other payment obligations (A+B+C+D) <sup>1</sup>	13.7	585.1	-120.5	464.6	126.6	598.2	70.6	668.8
<i>(Percent of GDP)</i>		5.0		3.7		4.4		4.6

Sources: Cameroonian authorities; and IMF staff estimates.  
<sup>1</sup> Partial audits conducted in 2010 and 2012 revealed additional arrears of CFAF 18 billion and CFAF 7 billion, 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, 2012–19 (GFSM2001 Presentation)**  
(CFAF billions, unless otherwise indicated)

	2012	2013	2014	2015	2016	2017	2018	2019
		Est.			Projections			
Revenue <sup>1</sup>	2,426	2,623	2,887	3,051	3,196	3,401	3,633	3,917
Taxes	1,743	1,935	2,159	2,305	2,457	2,629	2,816	3,008
Taxes on income, profits, and capital gains	603	660	730	783	837	895	960	1,023
<i>Of which: tax on oil corporations</i>	161	170	159	161	164	170	179	183
Taxes on goods and services	818	962	1,057	1,127	1,201	1,290	1,386	1,485
<i>Of which: special tax on petroleum products</i>	97	110	123	133	144	155	167	178
Taxes on international trade	294	290	346	369	392	417	443	471
Other taxes	29	23	26	26	27	27	28	29
Social contributions	34	37	38	39	40	41	42	43
Grants	56	46	84	84	53	49	44	40
Other revenue	592	605	606	623	646	682	730	826
<i>Of which: royalties from crude oil</i>	532	530	558	564	581	610	650	738
Total Expenditure	2,641	3,200	3,732	3,991	4,086	4,347	4,636	4,963
Expenditure	1,868	2,193	2,549	2,747	2,944	3,163	3,396	3,644
Compensation of employees	706	790	859	922	990	1,062	1,140	1,223
Use of goods and services	575	677	681	735	794	856	922	993
Interest	51	58	68	110	136	168	196	227
Subsidies	338	454	695	719	748	784	829	879
<i>Of which: fuel subsidies<sup>2</sup></i>	103	207	428	431	437	449	468	490
Social benefits	137	154	176	190	206	222	239	257
Other expense	61	60	70	70	70	70	70	65
<i>Of which: rehabilitation and participation<sup>3</sup></i>	61	60	70	70	70	70	70	65
Net acquisition of nonfinancial assets	773	1,007	1,183	1,244	1,143	1,184	1,239	1,319
Domestically financed	513	514	592	637	685	737	792	852
Foreign financed	259	493	591	608	457	447	447	467
Net lending / borrowing (fiscal balance, incl. grants)	-215	-577	-845	-940	-890	-946	-1,003	-1,046
Change in net financial worth, transactions	-221	-580	-138	-520	-405	-343	-282	-267
Net acquisition of financial assets ("+": increase in assets)	-81	-24	0	0	0	0	0	0
Net incurrence of liabilities ("+": increase in liabilities)	140	556	138	520	405	343	282	267
Domestic	-44	129	-303	72	76	34	2	-21
Securities other than shares	35	30	50	150	150	150	150	150
Bond	-50	30	50	150	150	150	150	150
Securitization of SONARA arrears	85	0	0	0	0	0	0	0
Loans	37	118	-333	-62	-65	-108	-141	-165
Other accounts payable (arrears)	-116	-18	-20	-16	-10	-8	-7	-6
Obligations to SONARA and oil importers <sup>2</sup>	-93	0	0	0	0	0	0	0
Change in arrears	-24	-18	-20	-16	-10	-8	-7	-6
Foreign	183	426	441	448	330	309	280	288
Loans	183	426	441	448	330	309	280	288
Statistical Discrepancy	6	3	0	0	0	0	0	0
Financing gap	0	0	-707	-420	-485	-602	-720	-779
<i>Memorandum items:</i>								
Overall balance (cash basis, incl. grants)	-331	-595	-865	-956	-900	-954	-1,009	-1,052
Oil revenue	693	700	718	725	745	780	829	920
Non-oil revenue	1,677	1,877	2,086	2,242	2,398	2,572	2,759	2,957
Capital expenditure	834	1,067	1,253	1,314	1,213	1,254	1,309	1,384
Primary balance	-164	-519	-776	-831	-754	-777	-806	-819
Non-oil primary balance	-857	-1,219	-1,494	-1,555	-1,500	-1,558	-1,635	-1,739

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

<sup>1</sup> Historical figures exclude direct taxes, customs duties, and VAT 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 2014 onward, projections for these taxes are made on a gross basis.

<sup>2</sup> Figures for 2012 include securitization of fuel subsidies due to SONARA.

<sup>3</sup> Rehabilitation and participation shows General Government's capital transfers.

**Table 9. Cameroon: Central Government Operations, 2012–19 (GFSM2001 Presentation)**  
(Percent of GDP, unless otherwise indicated)

	2012	2013	2014	2015	2016	2017	2018	2019
		Est.			Projections			
Revenue <sup>1</sup>	17.9	18.1	18.6	18.2	17.7	17.6	17.5	17.5
Taxes	12.9	13.4	13.9	13.8	13.6	13.6	13.5	13.4
Taxes on income, profits, and capital gains	4.5	4.6	4.7	4.7	4.6	4.6	4.6	4.6
<i>Of which: tax on oil corporations</i>	1.2	1.2	1.0	1.0	0.9	0.9	0.9	0.8
Taxes on goods and services	6.1	6.7	6.8	6.7	6.7	6.7	6.7	6.6
<i>Of which: special tax on petroleum products</i>	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Taxes on international trade	2.2	2.0	2.2	2.2	2.2	2.2	2.1	2.1
Other taxes	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Social contributions	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Grants	0.4	0.3	0.5	0.5	0.3	0.3	0.2	0.2
Other revenue	4.4	4.2	3.9	3.7	3.6	3.5	3.5	3.7
<i>Of which: royalties from crude oil</i>	3.9	3.7	3.6	3.4	3.2	3.2	3.1	3.3
Total Expenditure	19.5	22.1	24.0	23.9	22.7	22.5	22.3	22.2
Expenditure	13.8	15.2	16.4	16.4	16.3	16.3	16.3	16.3
Compensation of employees	5.2	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Use of goods and services	4.3	4.7	4.4	4.4	4.4	4.4	4.4	4.4
Interest	0.4	0.4	0.4	0.7	0.8	0.9	0.9	1.0
Subsidies	2.5	3.1	4.5	4.3	4.2	4.1	4.0	3.9
<i>Of which: fuel subsidies<sup>2</sup></i>	0.8	1.4	2.7	2.6	2.4	2.3	2.2	2.2
Social benefits	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Other expense	0.5	0.4	0.4	0.4	0.4	0.4	0.3	0.3
<i>Of which: rehabilitation and participation<sup>3</sup></i>	0.5	0.4	0.4	0.4	0.4	0.4	0.3	0.3
Net acquisition of nonfinancial assets	5.7	7.0	7.6	7.4	6.3	6.1	6.0	5.9
Domestically financed	3.8	3.6	3.8	3.8	3.8	3.8	3.8	3.8
Foreign financed	1.9	3.4	3.8	3.6	2.5	2.3	2.1	2.1
Net lending / borrowing (fiscal balance, incl. grants)	-1.6	-4.0	-5.4	-5.6	-4.9	-4.9	-4.8	-4.7
Change in net financial worth, transactions	-1.6	-4.0	-0.9	-3.1	-2.3	-1.8	-1.4	-1.2
Net acquisition of financial assets ("+" : increase in assets)	-0.6	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	-0.6	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities ("+" : increase in liabilities)	1.0	3.8	0.9	3.1	2.3	1.8	1.4	1.2
Domestic	-0.3	0.9	-1.9	0.4	0.4	0.2	0.0	-0.1
Securities other than shares	0.3	0.2	0.3	0.9	0.8	0.8	0.7	0.7
Bond	-0.4	0.2	0.3	0.9	0.8	0.8	0.7	0.7
Securitization of SONARA arrears	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.3	0.8	-2.1	-0.4	-0.4	-0.6	-0.7	-0.7
Other accounts payable (arrears)	-0.9	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0
Obligations to SONARA and oil importers <sup>2</sup>	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0
Foreign	1.4	2.9	2.8	2.7	1.8	1.6	1.3	1.3
Loans	1.4	2.9	2.8	2.7	1.8	1.6	1.3	1.3
Statistical Discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	-4.5	-2.5	-2.7	-3.1	-3.5	-3.5
<i>Memorandum items:</i>								
Overall balance (cash basis, incl. grants)	-2.5	-4.1	-5.6	-5.7	-5.0	-4.9	-4.8	-4.7
Oil revenue	5.1	4.8	4.6	4.3	4.1	4.0	4.0	4.1
Non-oil revenue	12.4	13.0	13.4	13.4	13.3	13.3	13.3	13.2
Capital expenditure	6.2	7.4	8.0	7.9	6.7	6.5	6.3	6.2
Primary balance	-1.2	-3.6	-5.0	-5.0	-4.2	-4.0	-3.9	-3.7
Non-oil primary balance	-6.3	-8.4	-9.6	-9.3	-8.3	-8.0	-7.9	-7.8
Non-oil primary balance (percent of non-oil GDP)	-6.9	-9.1	-10.3	-9.9	-8.9	-8.6	-8.3	-8.2

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

<sup>1</sup> Historical figures exclude direct taxes, customs duties, and VAT 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 2014 onward, projections for these taxes are made on a gross basis.

<sup>2</sup> Figures for 2012 include securitization of fuel subsidies due to SONARA.

<sup>3</sup> Rehabilitation and participation shows General Government's capital transfers.

**Table 10. Cameroon: Reform Scenario—Selected Economic and Financial Indicators, 2012–19**

	2012	2013	2014	2015	2016	2017	2018	2019
		Est.			Projections			
(Annual percentage change, unless otherwise indicated)								
<b>National account and prices</b>								
GDP at constant prices	4.6	5.5	5.5	5.6	5.7	5.8	5.9	6.0
Oil GDP at constant prices	3.5	3.0	4.5	9.0	9.0	9.0	9.0	6.5
Non-Oil GDP at constant prices	4.6	5.6	5.6	5.5	5.6	5.7	5.8	6.0
GDP deflator	3.1	1.5	2.1	2.3	2.7	2.3	2.1	1.9
Nominal GDP <sup>1</sup> (at market prices, CFAF billions)	13,515	14,464	15,566	16,800	18,241	19,737	21,334	23,044
Oil	1,075	1,067	1,084	1,088	1,108	1,145	1,199	1,278
Non-Oil	12,440	13,396	14,482	15,712	17,133	18,591	20,135	21,767
Oil output (thousands of barrels per day)	61.3	66.5	72.5	79.0	86.1	93.9	102.3	109.0
Consumer prices (average)	2.4	2.1	2.2	2.6	3.0	2.6	2.4	2.2
<b>External trade</b>								
Export volume	8.3	3.0	7.6	9.5	9.5	9.5	9.5	9.0
Oil sector	7.9	9.5	9.5	9.5	9.4	9.4	9.4	6.7
Non-oil sector	8.4	1.8	7.2	9.5	9.5	9.5	9.5	9.5
Import volume	2.2	6.5	8.2	7.6	7.6	7.2	7.1	7.1
Average oil export price <sup>2</sup> (US\$ per barrel)	111.7	108.9	107.2	100.4	95.0	91.5	89.1	90.4
Nominal effective exchange rate (depreciation -)	-3.2	3.6	...	...	...	...	...	...
Real effective exchange rate (depreciation -)	-4.2	2.8	...	...	...	...	...	...
Terms of trade	0.3	0.9	0.1	-3.3	-3.0	-2.9	-4.9	0.4
Export price index	1.7	-1.6	-1.0	-4.1	-4.6	-3.3	-3.6	-0.7
Non-oil export price index	3.8	-1.7	0.5	-1.6	-4.6	-3.1	-1.6	-2.1
Import price index	1.4	-2.4	-1.1	-0.8	-1.6	-0.5	0.1	0.0
<b>Money and credit</b>								
Broad money (M2)	1.4	10.8	7.1	7.9	8.6	8.2	8.1	8.0
Net foreign assets <sup>3</sup>	-3.3	0.8	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3
Net domestic assets <sup>3</sup>	4.6	10.1	7.5	8.3	9.0	8.5	8.4	8.3
Domestic credit to the private sector	2.6	14.9	11.2	11.9	12.5	11.3	10.7	10.6
(Percent of GDP, unless otherwise indicated)								
Gross national savings	17.1	17.2	17.6	17.7	18.0	18.4	19.0	19.6
Gross domestic investment	20.7	21.1	21.4	21.9	22.4	22.8	23.5	24.1
Public investment	6.2	7.4	8.0	7.8	7.0	6.8	6.7	6.7
Private investment	14.5	13.7	13.3	14.0	15.4	16.0	16.8	17.4
<b>Central government operations</b>								
Total revenue (excluding grants)	17.5	17.8	18.0	18.4	18.5	18.6	18.9	19.0
Oil revenue	5.1	4.8	4.6	4.3	4.1	4.0	3.9	4.0
Non-oil revenue	12.4	13.0	13.4	14.1	14.4	14.7	15.0	15.0
Non-oil revenue (percent of non-oil GDP)	13.5	14.0	14.4	15.1	15.3	15.6	15.9	15.8
Total expenditure	19.5	22.1	24.0	22.0	21.0	20.6	20.4	20.3
Overall fiscal balance (cash basis)								
Excluding grants	-2.9	-4.4	-6.1	-3.7	-2.6	-2.0	-1.6	-1.4
Including grants	-2.4	-4.1	-5.6	-3.2	-2.3	-1.8	-1.4	-1.2
Non-oil primary balance (percent of non-oil GDP)	-6.9	-9.1	-10.3	-7.2	-6.0	-5.3	-4.7	-4.7
<b>External sector</b>								
Current account balance								
Including official grants	-3.6	-3.9	-3.8	-4.2	-4.3	-4.4	-4.6	-4.5
Excluding official grants	-4.1	-4.4	-4.3	-4.6	-4.7	-4.8	-4.9	-4.8
Gross reserves imputed to Cameroon (US\$ billions)	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4
(percent of broad money)	54.2	47.6	44.1	40.4	36.9	33.8	30.9	28.4
CEMAC gross reserves (US\$ billions)	17.5	18.5	20.1	20.8	22.0	23.1	23.4	24.4
(months of CEMAC imports of GNFS)	5.7	5.9	6.3	6.4	6.6	6.7	6.7	7.7
<b>Public debt</b>								
Stock of public debt <sup>4</sup>	15.6	19.5	24.0	25.5	25.8	25.7	25.3	24.8
Of which: external debt	9.0	12.5	14.7	16.4	17.0	17.3	17.4	17.3
(Percent of exports of goods and services, unless otherwise indicated)								
Present value of external debt <sup>5,6</sup>	23.6	28.2	37.7	44.4	48.8	51.7	53.4	54.2
External debt service	1.7	1.9	2.7	3.1	3.3	3.6	4.3	4.5
External debt service (percent of government revenue)	2.6	2.8	4.0	4.5	4.5	4.8	5.5	5.7

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

<sup>1</sup> Nominal GDP was revised upward in 2012.<sup>2</sup> The export price for oil reflects actual prices for past years; for the current and future years, projections reflect movements in the price of Average Petroleum Spot Price (APSP) crude, less a cumulative prudence factor of US\$0.5 for each outer year.<sup>3</sup> Percent of broad money at the beginning of the period.<sup>4</sup> Includes the cumulative financing gaps.<sup>5</sup> Projections are taken from the 2014 Debt Sustainability Analysis (DSA), which excludes the stock of debt on which France provided debt relief under the "Contrat<sup>6</sup> Present value computed with a discount rate of 5 percent.

**Table 11. Cameroon: Reform Scenario—Central Government Operations, 2012–19**  
(CFAF billions, unless otherwise indicated)

	2012	2013		2014		2015	2016	2017		2018	2019
		Est.	Budget	Proj.	Adj. Proj.			Projections			
Total revenue and grants	2,426	2,623	2,668	2,887	2,697	3,178	3,418	3,724	4,071	4,409	
Total revenue	2,370	2,576	2,613	2,803	2,613	3,094	3,365	3,675	4,026	4,369	
Oil sector revenue	693	700	718	718	718	725	745	780	829	920	
Non-oil sector revenue <sup>1</sup>	1,677	1,877	1,895	2,086	1,896	2,369	2,620	2,895	3,197	3,449	
Direct taxes	471	513	...	566	566	644	717	793	876	947	
Special tax on petroleum products	97	110	...	123	123	143	158	173	189	204	
Other taxes on goods and services	720	852	...	964	820	1,086	1,200	1,321	1,456	1,568	
Taxes on international trade	294	290	...	346	301	392	434	486	544	587	
Non-tax revenue	94	112	...	86	86	103	112	121	131	142	
Total grants	56	46	55	84	84	84	53	49	44	40	
Projects	13	6	17	42	42	45	17	17	17	17	
Other (debt relief)	43	40	38	42	42	39	36	32	28	23	
Total expenditure	2,641	3,200	3,048	3,732	3,542	3,697	3,823	4,067	4,353	4,677	
Current expenditure	1,807	2,133	2,048	2,479	2,289	2,380	2,549	2,727	2,924	3,131	
Wages and salaries	706	790	835	859	859	898	963	1,043	1,130	1,219	
Goods and services	575	677	641	681	681	719	786	852	923	998	
Subsidies and transfers	474	608	533	871	681	654	674	685	712	743	
Fuel subsidies <sup>2</sup>	103	207	220	428	238	261	244	241	241	243	
Pensions	137	154	155	176	176	191	209	226	245	265	
Other	234	247	158	267	267	202	222	218	226	235	
Interest	51	58	39	68	68	110	126	146	159	171	
External	38	47	24	49	49	69	85	97	108	119	
Domestic	13	11	15	19	19	41	41	49	50	53	
Capital expenditure	834	1,067	1,000	1,253	1,253	1,316	1,274	1,340	1,429	1,546	
Domestically financed investment	513	514	639	592	592	639	747	823	911	1,013	
Foreign-financed investment	259	493	291	591	591	607	457	447	447	467	
Rehabilitation and participation	61	60	70	70	70	70	70	70	70	65	
Overall balance (excl. payment of govt. obligations)											
Excluding grants	-271	-623	-325	-929	-929	-603	-458	-392	-327	-307	
Including grants	-215	-577	-380	-845	-845	-519	-405	-343	-282	-267	
Payment of government obligations	-116	-18	-20	-20	-20	-16	-10	-8	-7	-6	
Audited arrears	-24	-18	-20	-20	-20	-16	-10	-8	-7	-6	
Obligations to SONARA and oil importers <sup>2</sup>	-93	0	0	0	0	0	0	0	0	0	
Overall balance (cash basis)											
Excluding grants	-387	-642	-345	-949	-949	-619	-468	-400	-333	-313	
Including grants	-331	-595	-400	-865	-865	-535	-415	-351	-289	-273	
Financing	331	595	400	157	157	536	415	352	289	273	
External financing, net	183	426	193	440	440	448	330	309	280	288	
Amortization	-63	-60	-81	-108	-108	-115	-111	-121	-150	-163	
Drawings	247	487	274	549	549	563	441	431	431	451	
Domestic financing, net	154	172	207	-283	-283	88	85	42	9	-15	
Banking system	103	24	100	0	0	0	0	0	0	0	
Security issue	0	80	180	100	100	200	200	200	200	200	
Amortization of domestic debt	-101	-86	-73	-383	-383	-112	-115	-158	-191	-215	
Securitization of arrears to SONARA	85	0	0	0	0	0	0	0	0	0	
Other domestic financing	66	154	0	0	0	0	0	0	0	0	
Errors and omissions	-6	-3	0	0	0	0	0	0	0	0	
Financing gap	0	0	0	708	708	0	0	0	0	0	
<i>Memorandum items:</i>											
Primary balance	-164	-519	-341	-776	-776	-409	-280	-197	-124	-96	
Non-oil primary balance	-857	-1,219	-1,059	-1,494	-1,494	-1,134	-1,025	-978	-953	-1,016	
Taxes owed by SONARA <sup>1</sup>	145	185	0	190	190	200	211	223	235	247	

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

<sup>1</sup> Historical and budget figures exclude direct taxes, customs duties, and VAT 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 2014 onward, projections for these taxes are made on a gross basis, except for the "adjusted projections" column, which is presented after expected cross-cancellations, to be comparable with the budget.

<sup>2</sup> Figures for 2012 include securitization of fuel subsidies due to SONARA.

**Table 12. Cameroon: Reform Scenario—Central Government Operations, 2012–19**  
(Percent of GDP, unless otherwise indicated)

	2012	2013	2014		2015	2016	2017	2018	2019	
		Est.	Budget	Proj.	Adj. Proj.	Projections				
Total revenue and grants	17.9	18.1	17.1	18.5	17.3	18.9	18.7	18.9	19.1	19.1
Total revenue	17.5	17.8	16.8	18.0	16.8	18.4	18.4	18.6	18.9	19.0
Oil sector revenue	5.1	4.8	4.6	4.6	4.6	4.3	4.1	4.0	3.9	4.0
Non-oil sector revenue <sup>1</sup>	12.4	13.0	12.2	13.4	12.2	14.1	14.4	14.7	15.0	15.0
Direct taxes	3.5	3.5	...	3.6	3.6	3.8	3.9	4.0	4.1	4.1
Special tax on petroleum products	0.7	0.8	...	0.8	0.8	0.9	0.9	0.9	0.9	0.9
Other taxes on goods and services	5.3	5.9	...	6.2	5.3	6.5	6.6	6.7	6.8	6.8
Taxes on international trade	2.2	2.0	...	2.2	1.9	2.3	2.4	2.5	2.6	2.5
Non-tax revenue	0.7	0.8	...	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total grants	0.4	0.3	0.4	0.5	0.5	0.5	0.3	0.2	0.2	0.2
Projects	0.1	0.0	0.1	0.3	0.3	0.3	0.1	0.1	0.1	0.1
Other (debt relief)	0.3	0.3	0.2	0.3	0.3	0.2	0.2	0.2	0.1	0.1
Total expenditure	19.5	22.1	19.6	24.0	22.8	22.0	21.0	20.6	20.4	20.3
Current expenditure	13.4	14.7	13.2	15.9	14.7	14.2	14.0	13.8	13.7	13.6
Wages and salaries	5.2	5.5	5.4	5.5	5.5	5.3	5.3	5.3	5.3	5.3
Goods and services	4.3	4.7	4.1	4.4	4.4	4.3	4.3	4.3	4.3	4.3
Subsidies and transfers	3.5	4.2	3.4	5.6	4.4	3.9	3.7	3.5	3.3	3.2
Fuel subsidies <sup>2</sup>	0.8	1.4	1.4	2.7	1.5	1.6	1.3	1.2	1.1	1.1
Pensions	1.0	1.1	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Other	1.7	1.7	1.0	1.7	1.7	1.2	1.2	1.1	1.1	1.0
Interest	0.4	0.4	0.2	0.4	0.4	0.7	0.7	0.7	0.7	0.7
External	0.3	0.3	0.2	0.3	0.3	0.4	0.5	0.5	0.5	0.5
Domestic	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Capital expenditure	6.2	7.4	6.4	8.0	8.0	7.8	7.0	6.8	6.7	6.7
Domestically financed investment	3.8	3.6	4.1	3.8	3.8	3.8	4.1	4.2	4.3	4.4
Foreign-financed investment	1.9	3.4	1.9	3.8	3.8	3.6	2.5	2.3	2.1	2.0
Rehabilitation and participation	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3
Overall balance (excl. payment of govt. obligations)										
Excluding grants	-2.0	-4.3	-2.1	-6.0	-6.0	-3.6	-2.5	-2.0	-1.5	-1.3
Including grants	-1.6	-4.0	-2.4	-5.4	-5.4	-3.1	-2.2	-1.7	-1.3	-1.2
Payment of government obligations	-0.9	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0
Audited arrears	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0
Obligations to SONARA and oil importers <sup>2</sup>	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)										
Excluding grants	-2.9	-4.4	-2.2	-6.1	-6.1	-3.7	-2.6	-2.0	-1.6	-1.4
Including grants	-2.5	-4.1	-2.6	-5.6	-5.6	-3.2	-2.3	-1.8	-1.4	-1.2
Financing	2.5	4.1	2.6	1.0	1.0	3.2	2.3	1.8	1.4	1.2
External financing, net	1.4	2.9	1.2	2.8	2.8	2.7	1.8	1.6	1.3	1.2
Amortization	-0.5	-0.4	-0.5	-0.7	-0.7	-0.7	-0.6	-0.6	-0.7	-0.7
Drawings	1.8	3.4	1.8	3.5	3.5	3.3	2.4	2.2	2.0	2.0
Domestic financing, net	1.1	1.2	1.3	-1.8	-1.8	0.5	0.5	0.2	0.0	-0.1
Banking system	0.8	0.2	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Security issue	0.0	0.6	1.2	0.6	0.6	1.2	1.1	1.0	0.9	0.9
Amortization of domestic debt	-0.7	-0.6	-0.5	-2.5	-2.5	-0.7	-0.6	-0.8	-0.9	-0.9
Securitization of arrears to SONARA	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other domestic financing	0.5	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	4.5	4.5	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>										
Non-oil revenue	13.5	14.0	13.1	14.4	13.1	15.1	15.3	15.6	15.9	15.8
Non-oil primary balance	-6.9	-9.1	-7.3	-10.3	-10.3	-7.2	-6.0	-5.3	-4.7	-4.7
Primary balance	-1.2	-3.6	-2.2	-5.0	-5.0	-2.4	-1.5	-1.0	-0.6	-0.4
Stock of total public debt	15.6	19.5	...	24.0	24.0	25.5	25.8	25.7	25.3	24.8
Stock of external public debt	9.0	12.5	...	14.7	14.7	16.4	17.0	17.3	17.4	17.3
Taxes owed by SONARA <sup>1</sup>	1.1	1.3	0	1.2	1.2	1.2	1.2	1.1	1.1	1.1
Nominal GDP (CFAF billions)	13,515	14,464	15,566	15,566	15,566	16,800	18,241	19,737	21,334	23,044
Nominal non-oil GDP (CFAF billions)	12,440	13,396	14,482	14,482	14,482	15,712	17,133	18,591	20,135	21,767

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

<sup>1</sup> Historical and budget figures exclude direct taxes, customs duties, 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 2014 onward, projections for these taxes are made on a gross basis, except for the "adjusted projections" column, which is presented after expected cross-cancellations, to be comparable with the budget.

<sup>2</sup> Figures for 2012 include securitization of fuel subsidies due to SONARA.

Table 13. Cameroon: Millennium Development Goals, 1990–2012

	1990	1995	2000	2005	2010	2011	2012
<b>Goal 1: Eradicate extreme poverty and hunger</b>							
Employment to population ratio, 15+, total (%)	60	61	61	62	67	67	68
Employment to population ratio, ages 15-24, total (%)	44	44	43	43	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	...	...
<b>Goal 2: Achieve universal primary education</b>							
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
Total enrollment, primary (% net)	71	...	...	...	...	...	92
<b>Goal 3: Promote gender equality and empower women</b>							
Proportion of seats held by women in national parliaments (%)	14	12	6	9	14	14	14
Ratio of female to male primary enrollment (%)	86	90	85	84	86	87	88
Ratio of female to male secondary enrollment (%)	69	69	81	79	84	85	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	...	...
<b>Goal 4: Reduce child mortality</b>							
Immunization, measles (% of children ages 12-23 months)	56	46	49	68	79	76	82
Mortality rate, infant (per 1,000 live births)	85	91	91	88	65	63	61
Mortality rate, under-5 (per 1,000)	137	147	148	142	103	99	95
<b>Goal 5: Improve maternal health</b>							
Adolescent fertility rate (births per 1,000 women ages 15-19)	...	143	139	131	122	119	...
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	5	5	5	5	4	...
Maternal mortality ratio (modeled estimate, per 100,000 live births)	680	680	660	640	690	...	...
Pregnant women receiving prenatal care (%)	79	...	75	82	...	85	...
Unmet need for contraception (% of married women ages 15-49)	22	...	20	3	...	...	...
<b>Goal 6: Combat HIV/AIDS, malaria, and other diseases</b>							
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
Prevalence of HIV, female (% ages 15-24)	...	...	...	...	...	...	2
Prevalence of HIV, male (% ages 15-24)	...	...	...	...	...	...	1
Prevalence of HIV, total (% of population ages 15-49)	0.6	4.2	5.5	5.4	4.7	4.6	4.5
Tuberculosis case detection rate (% of all forms)	60	20	20	61	43	48	48
<b>Goal 7: Ensure environmental sustainability</b>							
CO2 emissions (kg per PPP \$ of GDP)	0	0	0	0	0	...	...
CO2 emissions (metric tons per capita)	0	0	0	0	0	...	...
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	...
Improved water source (% of population with access)	50	57	64	71	74	74	...
Marine protected areas (% of territorial waters)	0	0	0	0	1	...	1
Net ODA received per capita (current US\$)	36	32	24	24	26	29	...
<b>Goal 8: Develop a global partnership for development</b>							
Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	13	17	12	10	1	1	..
Internet users (per 100 people)	0.0	0.0	0.3	1.4	4.3	5.0	5.7
Mobile cellular subscriptions (per 100 people)	0	0	1	13	44	52	64
Telephone lines (per 100 people)	0	0	1	1	3	3	4
<b>Other</b>							
GNI per capita, Atlas method (current US\$)	910	720	630	930	1,130	1,150	1,170
GNI, Atlas method (current US\$) (billions)	11.1	10.0	9.8	16.3	23.4	24.2	25.3
Gross capital formation (% of GDP)	17.8	13.3	16.7	19.1	16	19	19
Life expectancy at birth, total (years)	53	52	50	49	54	54	...
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
Trade (% of GDP)	37.5	41.4	42.9	41.9	54.3	61.7	61.1

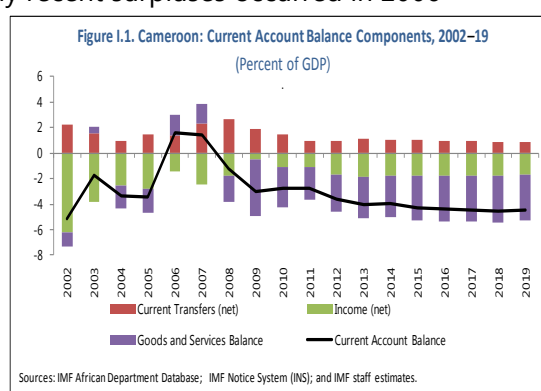
Source: World Bank; World Development Indicators.

## Annex I. Cameroon: External Competitiveness

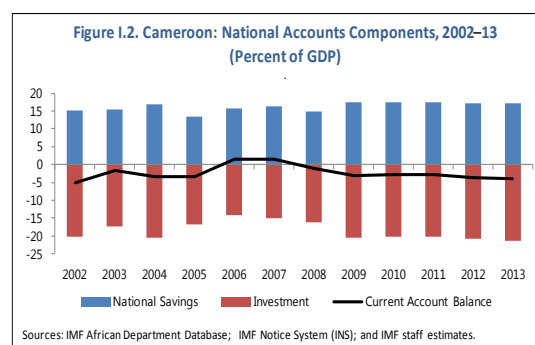
The findings of this monograph<sup>1</sup> are consistent with the findings of the 2013 and the preliminary 2014 Central African Economic and Monetary Community's (CEMAC) external assessment.<sup>2</sup> Cameroon's real effective exchange rate, on balance, appears somewhat overvalued. Structural competitiveness also shows weaknesses. The analysis of non-price indicators highlights the continued need for Cameroon to improve its business climate, which implies improving infrastructure and access to financing.

### A. Balance of Payments and Exchange Rate Developments

**1. Cameroon's current account has fluctuated over the last decade, reflecting developments in the trade balance and international commodities prices.** Since 2002, the current account deficit has averaged about 2.3 percent of GDP (Figure I.1). The only recent surpluses occurred in 2006 and 2007 because of high oil prices. Cameroon also reached the Highly Indebted Poor Country (HIPC) completion point in 2006, which significantly lowered interest payments on public debt. Since then, the current account has returned to previous levels. The goods and services balance has deteriorated from a surplus of 1.6 percent of GDP in 2006 to a deficit of 3.3 percent of GDP in 2013. Net current transfers have been making a systematically positive contribution to the current account, highlighting the role of capital grants and aid inflows. Conversely, the net income account has been making a systematically negative contribution to the current account, mostly owing to the increase in income from direct investment.



**2. In 2002–13, investment averaged 18.6 percent of GDP, while national savings averaged 16.3 percent of GDP** (Figure I.2). Gross domestic investment decreased from 20.2 percent of GDP in 2002 to 14.3 percent in 2006. Since then, it has recovered to 21.3 percent in 2013. The national savings rate increased from 15.1 percent of GDP in 2002 to 17.6 percent in 2009 at the height of the global crisis. Since then, it has decreased to 17.2 percent in 2013. In the medium term, the private sector is expected to pull investments, drawing on ongoing infrastructure development.



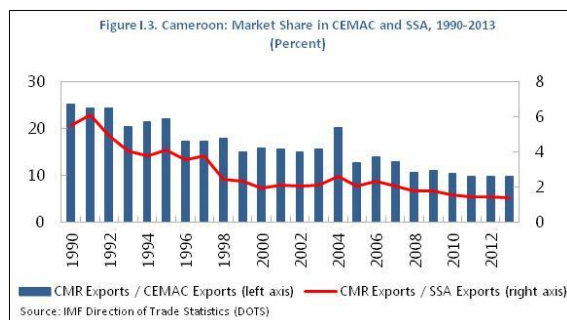
<sup>1</sup> This annex was prepared by Jean-Philippe Stijns (formerly IMF), Kwame Tweneboah Kodua, Samuel Fahlberg, and Jean van Houtte. It uses an Excel template developed by Nikoloz Gigineishvili, and benefited from comments from Aleksandra Zdzienicka.

<sup>2</sup> The external stability assessment of the CEMAC (IMF Country Report No. 13/322, 2013) found that the real effective exchange rate (REER) was overvalued, but was within the margin of error, indicating that the REER was broadly consistent with equilibrium under current policies, while reserves remained adequate.



### 3. Cameroon's exports, as a share of CEMAC exports, declined over the past couple of decades

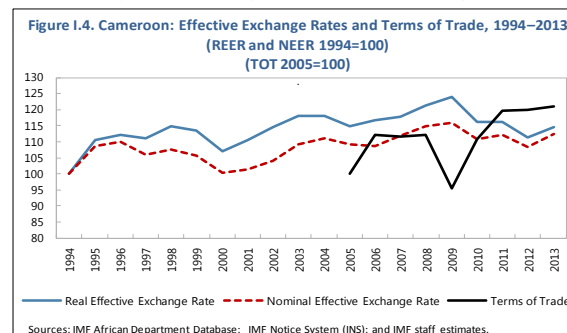
(Figure I.3). In the 1990s, Cameroon used to be the second largest exporter after Gabon. At present, it has moved to the fourth position, despite an increase in the openness of the economy (defined as the sum of exports and imports divided by GDP), behind Equatorial Guinea, the Republic of Congo, and Gabon.



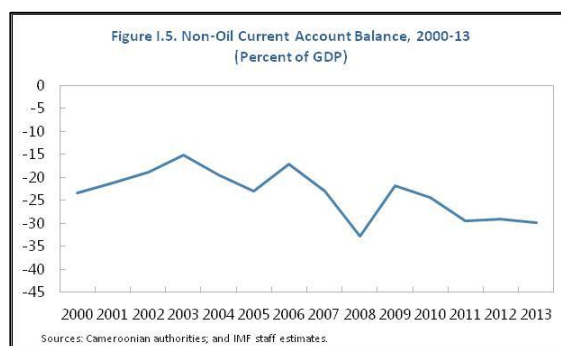
**4. The current account deficit is expected to grow from 3.9 to 4.4 percent of GDP in 2013–19.** In 2013, approximately 52 percent of exports were oil and oil products. The expected deterioration in the goods and services balance is predicated on the strong growth of imports for investment projects. The current account deficit would primarily be financed by government borrowing.

### 5. Cameroon's REER has depreciated since 2010, partially reversing a previous long-run appreciation

(Figure I.4). Since 2009, the REER has depreciated by 7.7 percent, with the nominal effective exchange rate (NEER) closely following this trend. This depreciation reflects the movements of the NEER of the euro, to which the country's currency is pegged. However, this depreciation has not offset fully the 24 percent REER appreciation in 1994–2008.



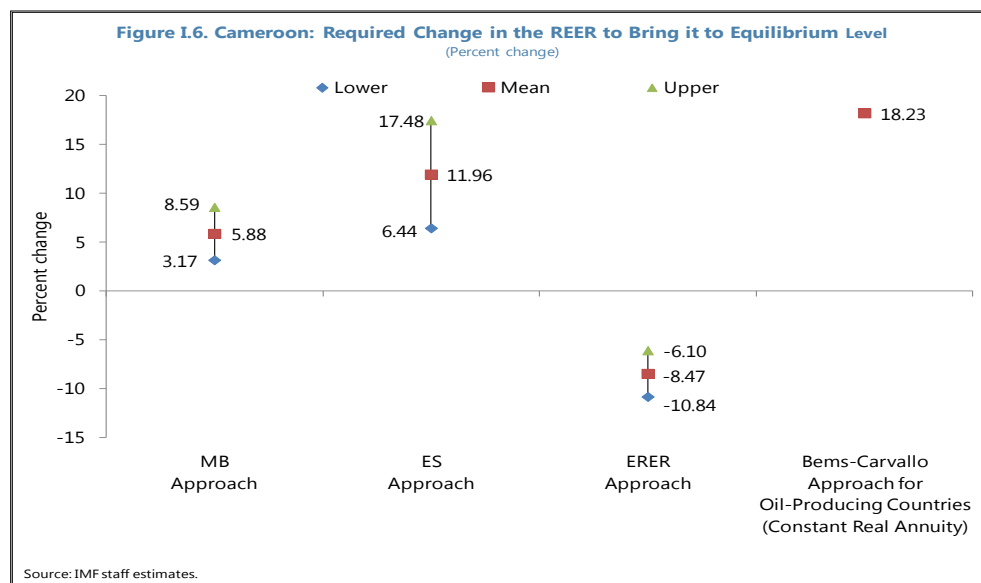
**6. As a preliminary assessment, Cameroon's current REER appears to be somewhat overvalued.** The first approach for assessing the REER is to assume that the mean of the two years following the CFA franc's devaluation in 1994 is the long-run effective exchange rate (LREER). Another approach is to assume the LREER is the sample mean over the period 1994–2013. The first approach suggests that the REER was overvalued by 9.2 percent at end-2013, while the second approach indicates that the REER is broadly in line with equilibrium. As noted in previous years, one important determinant of the LREER are the terms of trade—up by nearly 27 percent since 2009, which indicates that the LREER may have shifted over time. Furthermore, Cameroon's non-oil current account deficit has been worsening (Figure I.5), suggesting a possible overvaluation of the REER. Accordingly, 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

The effective real exchange rate is assessed using the three approaches of the Consultative Group on Exchange Rate (CGER) issues. A methodology accounting for the need for natural-resource-rich countries to smooth consumption of resource revenue over time is also used.

**7. The REER is assessed using the three approaches of the CGER.** They are: (i) the macroeconomic balance (MB); (ii) the external sustainability (ES); and (iii) the equilibrium real exchange rate (ERER) approaches (Figure I.6). Annual data for 184 countries for 1973–2013 are used, along with projections from the macroeconomic framework of the 2014 Article IV consultation. The standard CGER procedures are complemented by an adjusted ES approach that considers Cameroon’s oil wealth and the projected exhaustion of its oil resources. The results are broadly in line with the previous assessment,<sup>3</sup> consistent with the limited changes in Cameroon’s economic circumstances over the past year.



**8. The MB approach calculates the difference between the current account balance projected over the medium term at prevailing exchange rates (the “underlying current account balance”) and an estimated equilibrium current account (also called the “current account norm”), which is a function of economic fundamentals.** The extent to which the real exchange rate needs to adjust mostly depends on the country-specific elasticity of the current account with respect to the real exchange rate. The current account balance elasticity to the exchange rate<sup>4</sup> is taken from Tokarick (2010).<sup>5</sup>

<sup>3</sup> IMF Country Report No. 13/279, Appendix III, 2013.

<sup>4</sup> The current account elasticity is calculated as: (export elasticity) x (export-to-GDP ratio) - (import elasticity - 1) x (import-to-GDP ratio).

<sup>5</sup> Tokarick, S., “A Method for Calculating Export Supply and Import Demand Elasticities”, IMF Working Paper No. 10/180, July 2001; Washington, DC, 2010.

**9. The MB approach suggests the REER was overvalued by 3 to 9 percent at end-2013.** The estimated current account norm points to a deficit of 3.3 percent, while the underlying current account deficit is about 4.5 percent. The real exchange rate would then need to eliminate this difference.

Tokarick (2010) estimates three trade balance elasticities to the real exchange rate:

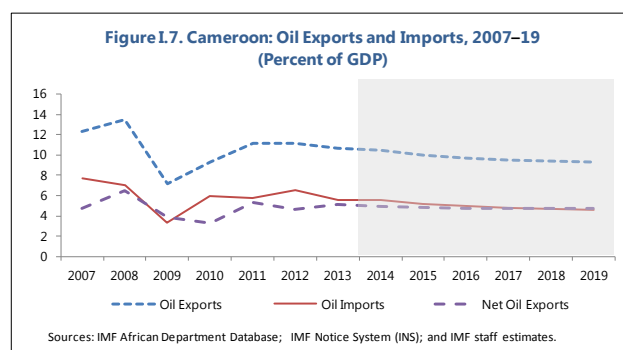
CGER (-0.14); general (-0.31); and small country (-0.38). At one end, CGER elasticity is the so-called “Keynesian Case,” where both the supply of exports and imports are assumed to be perfectly inelastic. At the other end, the small country case assumes that export demand and import supply are perfectly elastic, as the country is unable to affect international prices. The real exchange rate is assessed using these three estimates of the trade balance elasticity. The more elastic the current account is, or the more open the economy is, the less the exchange rate needs to be adjusted. The mean has drifted downward in past assessments, from 15.4 in 2010 to 5.5 percent in 2013.

**10. Using the same elasticities, the ES approach suggests the REER was overvalued by 6 to 17 percent at end-2013.** The ES approach calculates the difference between the actual current account and the current account that would stabilize the net foreign assets (NFAs) position at some benchmark level. The NFA-stabilizing current account is a deficit of 2.0 percent of GDP, compared to a 4.5 percent underlying current account deficit. The mean has remained between 11 and 13 percent since the 2010 assessment, except for a dip to 8.6 percent in 2012. In the preliminary external assessment for CEMAC in 2014, the REER was overvalued by 10.9 percent using the same approach.

**11. In contrast with the MB and ES approaches, but in line with previous assessments, the equilibrium real exchange rate (ERER) approach suggests the REER was undervalued by 6 to 11 percent at end-2013.**<sup>6</sup> The ERER approach calculates the difference between the actual real exchange rate and an estimated equilibrium real exchange rate, which is directly derived from the projection of medium-term fundamentals, such as the NFAs, productivity differential between tradable and non-tradable sectors, and the terms of trade. The range shown in Figure I.6 is determined by calculating the standard deviation from 2010 to 2013. Since the 2010 assessment, the mean has fluctuated between -3 and -13 percent.

**12. To complement the above analysis, the ES approach is tailored to oil-producing countries.**<sup>7</sup>

External sustainability is particularly important for exhaustible natural-resource producers like Cameroon. Cameroon may anticipate future resource depletion and a decline in resource export. In such a case, it is recommended to maintain a foreign asset cushion in order to mitigate external shocks, and to manage NFAs accordingly



<sup>6</sup> The panel regression model to estimate the LREER for Cameroon was incomplete owing to data unavailability.

<sup>7</sup> See Bems, Rudolfs, and Irineu de Carvalho Filho, “Exchange Rate Assessments: Methodologies for Oil-Exporting Countries,” IMF Working Paper No.09/281, Washington, DC, 2009.

(IMF, 2012).<sup>8</sup> In the case of oil producers, where oil represents a relatively small share of economic activity, like in Cameroon, it is important to also account for oil imports and to rely on net oil exports to evaluate external sustainability. While oil exports are projected to represent close to 10 percent of GDP in 2019, net exports are projected to represent about 5 percent of GDP by the same year (Figure I.7). For this exercise, Cameroon's petroleum reserves are assumed to be completely exhausted in 20 years and the current account norm assumes that part of oil revenues are saved to provide a constant real annuity over time.

**13. This adjusted “Bems-Carvalho” ES approach suggests the REER was overvalued by 18 percent at end-2013.** The results from this method have fluctuated since the 2011 between 13 and 18 percent. The corresponding current account norm under this scenario is a 4.1 percent current account surplus by 2019. This result, however, should be considered in light of the fact that international capital market imperfections and urgent development needs create an argument for countries to invest in domestic infrastructure instead of investing in domestic savings. 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 imply that the ability of domestic investment is limited in acting as a domestic savings mechanism, consequently justifying larger current account surpluses. In either case, the transitory nature of oil revenues in Cameroon would suggest investing a larger proportion of these revenues in safe assets with reasonable yield, be it abroad or domestically. In the preliminary external assessment for CEMAC in 2014, the REER was overvalued 12.7 percent for this approach.

**14. Taken together, the above results indicate that, on balance, Cameroon's REER appears somewhat overvalued, confirming last year's exchange rate assessment.** The above results are sensitive not only to the prevailing macroeconomic assumptions, but also to the hypotheses each approach uses, such as the level of elasticity of the current account to the real exchange rate. All things considered, maintaining Cameroon's NFA position would require reducing the current account deficit and therefore implies an overvalued REER. This argument is strengthened if Cameroon saves some of its windfall oil revenues. From this perspective, it is important to bear in mind that the underlying current account deficit is a function of Cameroon's competitiveness, which is function of factors beyond the REER. Correspondingly, improving Cameroon's competitiveness could reduce the current account deficit and help the country save some of its transitory petroleum revenues. The next section assesses Cameroon's structural competitiveness using non-price indicators.

## C. Assessment of Structural Competitiveness

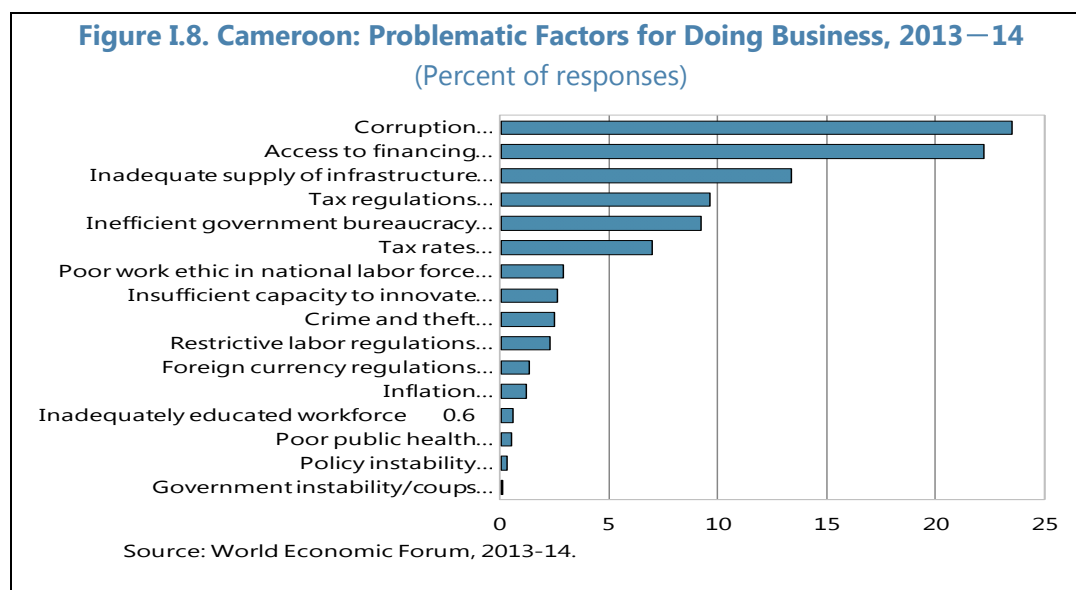
**15. Competitiveness is defined by the World Economic Forum as the set of institutions, policies, and factors that determine the level of productivity of a country.** It can be measured with non-price indicators, in addition to price indicators. This section presents survey data that compare Cameroon on the structural determinants of external competitiveness. The surveys considered in this

<sup>8</sup> IMF Policy Paper, “Macroeconomic Policy Frameworks for Resource-Rich Developing Countries,” Washington, DC, August 24, 2012.

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 Country Policy and Institutional Assessment (CPIA).

	Cameroon		Sub-Saharan Africa (Averages)	
	Rank (Out of 144)	Score (1-7)	Rank (Out of 144)	Score (1-7)
GCI 2013–14(Out of 148)	115	3.7	116	3.6
GCI 2012–13(Out of 144)	112	3.7	114	3.6
GCI 2011–12(Out of 142)	116	3.6	113	3.4
<b>Basic requirements (60%)</b>	<b>117</b>	<b>3.8</b>	<b>117</b>	<b>3.4</b>
Institutions	112	3.4	90	3.7
Infrastructure	128	2.5	116	2.8
Macroeconomic environment	60	4.9	94	4.3
Health and primary education	124	4.4	123	4.1
<b>Efficiency enhancers (35%)</b>	<b>113</b>	<b>3.5</b>	<b>115</b>	<b>3.4</b>
Higher education and training	112	3.3	121	3.0
Goods market efficiency	100	4.0	98	4.0
Labor market efficiency	82	4.2	79	4.2
Financial sector development	107	3.6	93	3.7
Technology readiness	121	2.8	116	2.9
Market size	91	3.3	109	2.8
<b>Innovation and sophistication factors (5%)</b>	<b>95</b>	<b>3.4</b>	<b>105</b>	<b>3.2</b>
Business sophistication	105	3.6	106	3.5
Innovation	80	3.1	100	2.9

Source: World Economic Forum, The Global Competitiveness Report, 2014.



**16. According to the 2013–14 GCI report, Cameroon ranks 115<sup>th</sup> of 148 surveyed countries.** It has lost three places since the previous report, but maintained a score of 3.7 out of 7. Within sub-Saharan Africa (SSA), Cameroon ranks 12<sup>th</sup> out of 34 countries, above the region's average and median (Table I.1). Cameroon also obtained higher scores than the SSA average on three sub-indices: basic requirements; efficiency enhancers and factors of innovation; and sophistication.

**17. The report identifies the same five major constraints as last year: corruption, access to financing, inadequate infrastructure, government bureaucracy, and tax regulations** (Figure I.8). Notably, despite the authorities' efforts, corruption still tops the list followed by poor access to financing.

**18. Similarly, according to the Heritage Foundation, Cameroon continued to score below the world average.** Areas for improvement are freedom from corruption and the protection of property rights, despite some marginal reforms. Cameroon's total score improved slightly in 2013, from 52.3 to 52.6 out of 100, reflecting gains in trade and fiscal freedom (Table I.2). In spite of this, Cameroon slipped in the Foundation's rankings from 133 to 136, losing three places for the second year in a row. Cameroon's index qualifies the economy as "mostly unfree." Half of the ten Heritage Foundation indicators of economic freedom deteriorated in the course of the year, including property rights, investment freedom, and monetary freedom.

**Table I.2. Cameroon: Index of Economic Freedom, 2012–14**

	2012-13	2013-14
Index of economic freedom <sup>1</sup>	52.3	52.6
Cameroon's rank	133 out of 185	136 out of 186

Source: Heritage Foundation.

<sup>1</sup> Scale (low-high): 0 - 100.

**19. Cameroon's business climate, as measured by the 2014 World Bank Doing Business indicators, has deteriorated.** Its rank is lower than the average for SSA (Table I.3, Figure I.9). The country lost six places in 2014, slipping to the 168<sup>th</sup> place (out of 189). Cameroon has made it easier to obtain a building permit by decentralizing the process and by introducing time limits, but the notification and inspection requirements have more than offset those improvements. Although Cameroon's ranking has improved marginally with respect to registering property, the country's rating has deteriorated significantly regarding construction permits, starting a business, and getting credit. The country's 175<sup>th</sup> ranking with respect to enforcing contracts reflects the 800 days needed to resolve a legal dispute versus 652 days on average in SSA (and 42 procedures to enforce a contract versus 39).

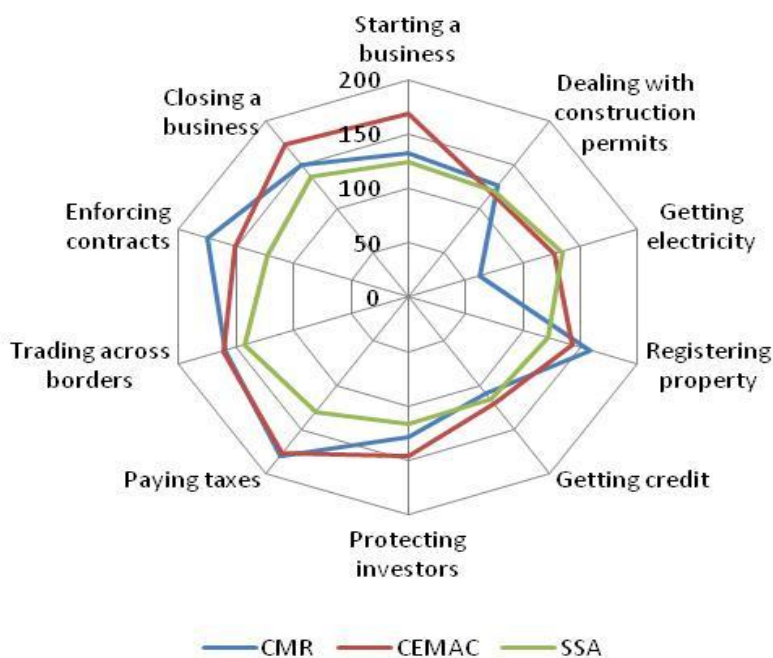
**20. Cameroon's Country Policy and Institutional Assessment (CPIA) score of 3.2 was in line with SSA average and above the average of the CEMAC (2.9) in 2012** (Table I.4). Although Cameroon's scores in major areas exceed the scores of the CEMAC and are strong in economic management compared with SSA, they lag SSA in policies for social inclusion. Areas for improvement are in property rights, rule-based governance, transparency, accountability, and corruption.

**Table I.3. Cameroon: Doing Business Indicators, 2013–14**  
(Rank)

	Cameroon		CEMAC	WAEMU	SSA
	2013	2014	2014		
Ease of doing business	162	168	173	168	145
Starting a business	125	132	169	139	125
Dealing with construction permits	95	127	118	124	120
Getting electricity	62	62	128	145	134
Registering property	160	159	142	134	122
Getting credit	105	109	121	130	116
Protecting investors	127	128	146	153	116
Paying taxes	180	180	177	167	130
Trading across borders	158	159	162	139	142
Enforcing contracts	175	175	152	141	123
Closing a business	151	151	173	132	137

Source: Doing Business Indicators, World Bank, 2014.

**Figure I.9. Cameroon: Doing Business Indicators, 2014**  
(Rank)



Source: Doing Business Indicators, World Bank, 2014.

Table I.4. Country and Policy Institutional Assessment Index, 2011–12<sup>1</sup>

	Cameroon		CEMAC <sup>2</sup>	WAEMU	SSA
	2011	2012	2012		
<b>Economic Management</b>	<b>3.7</b>	<b>3.8</b>	<b>3.3</b>	<b>3.6</b>	<b>3.4</b>
Monetary and Exchange Rate Policy	4.0	4.0	3.5	3.9	3.6
Fiscal Policy	3.5	3.5	3.3	3.4	3.3
Debt Policy	3.5	4.0	3.3	3.6	3.3
<b>Structural Policies</b>	<b>3.2</b>	<b>3.2</b>	<b>2.9</b>	<b>3.4</b>	<b>3.2</b>
Trade	3.5	3.5	3.3	4.0	3.6
Financial Sector	3.0	3.0	2.8	2.9	2.9
Business Regulatory Environment	3.0	3.0	2.5	3.2	3.1
<b>Policies for Social Inclusion and Equity</b>	<b>3.0</b>	<b>3.0</b>	<b>2.8</b>	<b>3.2</b>	<b>3.2</b>
Gender Equality	3.0	3.0	2.8	3.1	3.2
Equity of Public Resource Use	3.0	3.0	2.9	3.4	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	2.9	2.9
Policies and Institutions for Environment Sustainability	3.0	3.0	2.9	3.3	3.1
<b>Public Sector Management and Institutions</b>	<b>2.9</b>	<b>2.9</b>	<b>2.5</b>	<b>3.0</b>	<b>2.9</b>
Property Rights and Rule-Based Governance	2.5	2.5	2.1	2.8	2.7
Quality of Budgetary and Financial Management	3.0	3.0	2.5	3.3	3.0
Efficiency of Revenue Mobilization	3.5	3.5	3.0	3.3	3.4
Quality of Public Administration	3.0	3.0	2.6	2.9	2.8
Transparency, Accountability and Corruption in Public Sector	2.5	2.5	2.3	2.9	2.7
<b>Overall CPIA Score</b>	<b>3.2</b>	<b>3.2</b>	<b>2.9</b>	<b>3.3</b>	<b>3.2</b>

Source: World Bank, CPIA Africa Report, 2013.

<sup>1</sup>Scale (low-high): 1-7.

<sup>2</sup>CEMAC excludes Gabon and Equatorial Guinea because of data unavailability.



Annex II. Cameroon: Risk Assessment Matrix<sup>1</sup>

Sources of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
Protracted period of slower growth in advanced economies.	<b>High</b>	<b>Low</b> A protracted euro area slump would have a negative effect on growth through the balance of payments.	Diversify export markets, especially toward emerging Asia, and improve external competitiveness through faster structural reform.
Financial stress in the euro area re-emerges.	<b>Medium</b>	<b>Low</b> The financial sector is little integrated into the European financial sector.	Ensure compliance with COBAC recommendations and CEMAC regulatory requirements.
Sustained decline in world oil prices.	<b>Medium</b>	<b>Low</b> A decrease in the international price of oil would cause a higher decline in oil revenue than in fuel subsidies and worsen the current account.	Start fuel price reform; widen the non-oil tax base; increase efficiency of the oil refinery; and spur competition in the oil import sector.
Spillovers of the regional security situation.	<b>Medium</b>	<b>High</b> A deteriorating security situation would cause an increase in refugee inflows; a costlier security personnel deployment; and delays in infrastructure investments in affected areas.	Allow a moderate relaxation of the fiscal deficit; start scaling back unproductive public expenditure; and prepare contingency plans for refugees with the UNHCR.
National oil refinery (SONARA) bankruptcy.	<b>Medium</b>	<b>High</b> A SONARA bankruptcy would adversely affect the budget, energy supply, and the banking sector.	Make SONARA more efficient; increase retail fuel prices; clear stock of arrears to SONARA; and identify alternative suppliers to ensure energy security.
Collapse of one distressed bank.	<b>Low</b>	<b>Low</b> Contingent liabilities would adversely affect the budget.	Conduct a comprehensive contingent liability assessment; and recover bad bank assets to the extent possible.

<sup>1</sup> 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 or 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.



# CAMEROON

## STAFF REPORT FOR THE 2014 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

June 13, 2014

Prepared By African Department

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## RELATIONS WITH THE FUND

### A. Financial Relations

As of May 21, 2014

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

<b>General Resources Account:</b>	<b>SDR Million</b>	<b>%Quota</b>
<u>Quota</u>	185.70	100.00
<u>Fund holdings of currency</u>	184.74	99.48
<u>Reserve Tranche Position</u>	0.98	0.53

<b>SDR Department:</b>	<b>SDR Million</b>	<b>%Allocation</b>
<u>Net cumulative allocation</u>	177.27	100.00
<u>Holdings</u>	15.21	8.58

<b>Outstanding Purchases and Loans:</b>	<b>SDR Million</b>	<b>%Quota</b>
ESF RAC Loan	92.85	50.00
ECF Arrangements	12.74	6.86

#### **Latest Financial Arrangements:**

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

<sup>1</sup> Formerly PRGF.

#### **Projected Payments to Fund: <sup>2</sup>**

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

	<u>Forthcoming</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Principal	2.39	22.28	21.49	20.69	19.90
Charges/Interest	<u>0.16</u>	<u>0.43</u>	<u>0.38</u>	<u>0.32</u>	<u>0.27</u>
Total	2.54	22.72	<u>21.87</u>	<u>21.02</u>	<u>20.17</u>

<sup>2</sup> 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 <u>Framework</u>
I. Commitment of HIPC assistance	October 2000
Decision point date	
Assistance committed	
by all creditors (US\$ Million) <sup>1</sup>	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 <sup>2</sup>	5.05
Total disbursements	33.67

<sup>1</sup> 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.

<sup>2</sup> 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) <sup>1</sup>	173.26
Financed by: MDRI Trust	149.17
Remaining HIPC resources	24.09
II. Debt Relief by Facility (SDR Million)	

<u>Delivery</u> <u>Date</u>	<u>Eligible Debt</u>		
	<u>GRA</u>	<u>PRGT</u>	<u>Total</u>
April 2006	N/A	173.26	173.26

<sup>1</sup> 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 remain 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.<sup>1</sup> As such, a safeguards staff visit to the BEAC was conducted during April 1–9, 2014. Staff concluded that the BEAC had made good progress in implementing recommendations from the 2013 assessment and is advancing its reform plan to strengthen controls. Nonetheless, the BEAC continues to face challenges on institutional autonomy; and broader governance reforms remain important in the medium-term.

## **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 755.95=SDR 1, as of May 31, 2013. 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.

<sup>1</sup> Staff has been conducting annual monitoring of safeguards developments at the BEAC since 2010.

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 June 26, 2013.

#### **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.

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:**

##### **2014**

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, Ms. Boriana Yontcheva, has been stationed in the field since December 26, 2012.

## JOINT IMF-WORLD BANK WORK PROGRAM, 2014–15

Products	Mission Timing	Expected Delivery
<b>A. Mutual Information on Relevant Work Programs</b>		
<b>IMF Work Program</b>		
<b>Strategy:</b> The Fund's policy advice and technical assistance are essentially unchanged: they will focus on helping Cameroon preserve fiscal sustainability and financial sector stability, while supporting selective pro-poor and pro-growth spending.		
<b>2014 Article IV consultation</b>	June 2014	Staff report bundle for Board consideration.
<b>Authorities' visit to Fund headquarters</b>	August 2014	Framework update.
<b>Staff visit</b>	October 2014	Concluding Statement.
<b>2015 Article IV consultation</b>	May 2015	Board discussion in June 2015
<b>Technical assistance on public finance to be offered by FAD or AFRITAC-Central</b>		
Four PFM missions on budget credibility and execution monitoring with focus on investment spending	FY2015	Aide Mémoire at the end of mission.
Four revenue administration missions to support VAT and customs administration reform priorities.	FY2015	Aide Mémoire at the end of mission.
<b>Technical assistance on statistics to be offered by STA or AFRITAC-Central</b>		
CEMAC - Financial Soundness Indicators (with COBAC)	February 2014	Aide Mémoire at the end of mission.
CEMAC - Monetary and Financial Statistics	October 2014	Aide Mémoire at the end of mission.
<b>Technical assistance on debt management to be offered by MCM or AFRITAC-Central</b>		
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 for 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 in Cameroon. 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 infrastructure investment in the energy, transportation, and telecommunications 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	September 2014
Country Partnership Framework	July and September 2014	December 2014
Country Economic Memorandum	Four missions, dates to be decided	December 2015
Non-concessional borrowing ceiling monitoring	2 missions a year: to coincide with IMF missions	Back-to-office reports at the end of each mission.
Skills for growth study	Ongoing	December 2014
Light Manufacturing Development Study	Possibly three missions: dates to be decided	Back-to-office reports at the end of each mission
<b>B. Requests for work program inputs</b>		
<b>IMF request to World Bank</b>		
<ul style="list-style-type: none"> <li>• Periodic update on World Bank program in Cameroon.</li> <li>• Periodic economic updates.</li> </ul>		
<b>World Bank request to IMF</b>		
<ul style="list-style-type: none"> <li>• Periodic updates on the macroeconomic framework.</li> </ul>		
<b>C. Agreement on joint products and missions</b>		
New DSA	May 2015	Board discussion in June 2015

## STATISTICAL ISSUES

### A. Assessment of Data Adequacy for Surveillance

**General:** Data provision has some 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, and led to the development of quarterly national accounts statistics starting in 2012.

**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, data on the public finances are still in need of improvements in quality, coverage, timeliness, and 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 information on the financial information of public enterprises more generally.

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. 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 growing sector in the country.

<p><b>Balance of payments:</b> Since the March 2006 STA technical assistance, the authorities have started to produce higher quality data within a reasonable time lag but there are still some significant delays. Balance of payments data are reported annually to STA albeit with some lags. The latest reported data refer to 2010.</p>	
<p><b>External debt:</b> External debt data are broadly adequate for surveillance, but are comprehensive only for public and publicly guaranteed debt. Data are collected by the <i>Caisse Autonome d'Amortissement (CAA)</i>, 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 creditors, which causes significant impairment to real-time and comprehensive debt monitoring.</p>	
<p><b>B. Data Standards and Quality</b></p>	
Cameroon commenced its participation in the General Data Dissemination System (GDDS) in 2001.	No ROSC data are available.
<p><b>C. Reporting to STA</b></p>	
<p>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.</p>	

## CAMEROON: TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE

(As of May 31, 2014)

	Date of latest observation	Date received	Frequency of data	Frequency of reporting	Frequency of Publication
Exchange rates	May 2014	May 2014	D		
International reserve assets and liabilities <sup>2</sup>	April 2014	May 2014	M	M	M
Reserve/Base money	March 2014	May 2014	M	M	M
Broad money	March 2014	May 2014	M	M	M
Central bank balance sheet	March 2014	May 2014	M	M	M
Consolidated balance sheet of the banking system	March 2014	May 2014	M	M	M
Interest rates <sup>3</sup>	April 2014	May 2014	M	M	M
Consumer price index (main cities)	March 2014	May 2014	Q	Q	Q
Consumer price index (national)	March 2014	May 2014	Q	Q	Q
Revenue, Expenditure, Balance and Composition of Financing <sup>4</sup> – General government <sup>5</sup>	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing <sup>4</sup> – Central government <sup>5</sup>	March 2014	May 2014	M	M	Partial data published monthly
Stocks of debt contracted or guaranteed by the central government	March 2014	May 2014	M	M	M
External current account balance	Dec. 2013	April 2014	A	A	NA
Exports and imports of goods and services <sup>7</sup>	Dec. 2013	Apr. 2014	Q	Q	NA
GDP/GNP	Dec. 2012	April 2014	A	A	A
Gross external debt	Dec. 2014	Apr. 2014	Q	Q	Q
International investment position	NA	NA	NA	NA	NA

<sup>1</sup> Monthly (M), Quarterly (Q), Annual (A), and Not Available (NA).

<sup>2</sup> Of the monetary authorities. Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

<sup>3</sup> Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>4</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>5</sup> The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>6</sup> Including currency and maturity composition.

<sup>7</sup> Goods only, data on trade in services are not available.



# CAMEROON

## STAFF REPORT FOR THE 2014 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

June 13, 2014

Approved By  
**Anne-Marie Gulde-Wolf and Bob  
Traa (IMF); Jeffrey D. Lewis and  
Marcelo Giugale (IDA)**

Prepared by the International Monetary Fund—  
African Department and the International  
Development Association

*This debt sustainability analysis builds on the one conducted at the time of the 2013 Article IV Consultation. It finds that Cameroon's external debt remains sustainable, with all external debt ratios staying below their respective thresholds. However, the risk of debt distress has increased from "low" to "moderate," as the external debt indicator for the present value of debt over exports breaches the policy-dependent threshold under a classic shock to exports. The underlying macroeconomic assumptions in this analysis are comparable to those used in the previous one. However, the composition and terms of new external debt have been adjusted to reflect the large, undisbursed debt overhang contracted on nonconcessional terms to finance the country's public investment program. Heavier external borrowing than projected could jeopardize debt sustainability over the long term and calls for a prudent approach regarding the terms of borrowing. Moreover, significant vulnerabilities related to a weak domestic debt policy, and a fiscal situation projected to become increasingly fragile, heighten the risk of overall debt distress.*

## 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 updates the 2013 DSA (IMF Country Report No. 13/279).<sup>1</sup> It uses the latest standard debt dynamic template for low-income countries,<sup>2</sup> based on the most recent external debt data from the authorities, and the macroeconomic framework derived from the 2014 IMF Article IV consultation. Data are composed of external and domestic debt of the central government, as well as debt and guaranteed debt of public enterprises. As noted in the previous DSA, debt statistics could benefit from a more comprehensive coverage of contingent liabilities on financial institutions and liabilities of public enterprises and municipalities.

**2. The enhanced Heavily Indebted Poor Countries (HIPC) and the Multilateral Debt Relief Initiatives resulted in a significant decline in Cameroon's public debt ratios, from more than 50 percent of GDP in 2005 to less than 10 percent of GDP in 2008.** However, the public debt-to-GDP ratio has been steadily increasing since then, reaching 19.5 percent at end-2013. This increase mainly corresponds to a rise in public external debt, representing 63.4 percent of total public debt at end-2013 (Text Table 1). Bilateral loans from non-Paris club members have significantly grown, representing 30.7 percent of total public debt at end-2013, as opposed to only 4.3 percent at end-2008. This evolution reflects an increasing number of loans, with less favorable financing conditions, to finance the authorities' public investment program. Although there was a fall in structured domestic debt in 2012, the overall stock of domestic debt has remained on a rapid growth path since 2011 (Text Table 2).

**Text Table 1. Cameroon: Stock of Public Debt, 2006–13**

	2006	2007	2008	2009	2010	2011	2012	2013
	(CFAF billions)							
Total public debt	1,489	1,171	1,015	1,114	1,349	1,662	2,085	2,772
External debt	603	562	578	574	725	927	1,197	1,757
Multilateral	206	230	289	377	460	577	632	901
Bilateral	316	289	288	196	222	304	470	989
Bilateral Paris Club	294	251	245	63	91	85	75	139
Bilateral non-Paris Club	22	38	43	133	132	219	395	851
Commercial debt	81	43	1	1	43	46	96	138
Domestic debt	887	608	437	540	623	734	888	1,014
	(Percent of total)							
Total public debt	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
External debt	40.5	48.0	56.9	51.5	53.8	55.8	57.4	63.4
Multilateral	13.8	19.7	28.5	33.8	34.1	34.8	30.3	32.5
Bilateral	21.2	24.7	28.4	17.6	16.5	18.3	22.6	35.7
Bilateral Paris Club	19.7	21.4	24.2	5.7	6.7	5.1	3.6	5.0
Bilateral non-Paris Club	1.5	3.2	4.3	12.0	9.8	13.2	18.9	30.7
Commercial debt	5.4	3.7	0.1	0.1	3.2	2.8	4.6	5.0
Domestic debt	59.5	52.0	43.1	48.5	46.2	44.2	42.6	36.6
	(Percent of GDP)							
Total public debt	15.9	12.0	9.7	10.1	11.5	13.2	15.6	19.5
External debt	6.4	5.7	5.5	5.2	6.2	7.4	9.0	12.5
Multilateral	2.2	2.4	2.8	3.4	3.9	4.6	4.7	6.4
Bilateral	3.4	2.9	2.8	1.8	1.9	2.4	3.5	7.0
Bilateral Paris Club	3.1	2.6	2.3	0.6	0.8	0.7	0.6	1.0
Bilateral non-Paris Club	0.2	0.4	0.4	1.2	1.1	1.7	2.9	6.0
Commercial debt	0.9	0.4	0.0	0.0	0.4	0.4	0.7	1.1
Domestic debt	9.4	6.2	4.2	4.9	5.3	5.9	6.6	7.0
Memorandum item:								
Nominal GDP	9,388	9,792	10,444	11,040	11,700	12,546	13,515	14,463

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

<sup>1</sup> The draft DSA was discussed with the Cameroonian authorities in the course of the 2014 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 (SM/13/292).

<sup>2</sup> The template was provided by the IMF's Strategy and Policy Review Department.

**Text Table 2. Cameroon: Domestic Debt Components, 2011–13**

(CFAF billions; unless otherwise indicated)

	2011	2012	2013	2013 Share in percent
Total domestic debt	734	888	1,014	100
Structured debt	571	498	515	51
Banking	123	117	108	11
Non-banking	448	381	407	40
Non structured debt <sup>1</sup>	163	390	499	49

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

<sup>1</sup>Includes financing gap.

## UNDERLYING ASSUMPTIONS

**3. The new macroeconomic framework reflects limited adjustments to projections of key variables compared to the 2013 DSA framework.** Oil revenue is somewhat lower, and growth and exports are assumed to be somewhat less buoyant in the medium term, but more resilient over the long term (Text Table 3 and Box 1). Oil revenue, as a percent of GDP, is expected to fall because increases in oil production are offset by a projected fall in international oil prices and rising production costs. Real GDP growth remained strong in 2013, thanks to better implementation of the public investment plan, and is expected to remain robust in the medium term, based on sustained domestic demand and the coming onstream of infrastructure projects. The volume of non-oil exports is projected to grow by around 9 percent a year, above real GDP growth. The volume of imports is projected to grow by around 7 percent per year, at a somewhat higher pace than GDP. Inflation is projected to remain well below the 3 percent convergence criterion of the Central African Economic and Monetary Community (CEMAC).

**Text Table 3. Cameroon: Key Macroeconomic Assumptions, 2013–34**

	2013-14 <sup>1</sup>	2015-19 <sup>2</sup>	2020-34 <sup>3</sup>
Real GDP growth (percent)			
DSA 2014	5.5	5.5	5.5
DSA 2013	4.6	5.1	4.8
Total revenue (percent of GDP) <sup>4</sup>			
DSA 2014	18.3	17.7	16.4
DSA 2013	18.9	19.3	18.3
Exports of goods and services (percent of GDP)			
DSA 2014	27.1	25.5	24.2
DSA 2013	28.7	27.4	22.9
Oil price (US dollars per barrel)			
DSA 2014	108.0	93.3	91.7
DSA 2013	106.0	88.5	93.2

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

<sup>1</sup>2013 DSA referred to periods 2012-13.<sup>2</sup>2013 DSA referred to periods 2014-17.<sup>3</sup>2013 DSA referred to periods 2018-33.<sup>4</sup>Total revenue, excluding grants.

**4. However, some assumptions have been adjusted.** The discount rate increased from 3 percent for the 2013 DSA to 5 percent, as approved by the IMF and World Bank Executive Boards in October 2013. The level of external public debt at end-2012 was adjusted upward to CFAF 1,197 billion from CFAF 1,127 billion, and again to CFAF 1,595 billion at end-2013. Finally, given new information of large as-yet-undisbursed debt contracted at nonconcessional rates (over CFAF 2,700 billion at end-2013 versus about CFAF 2,100 billion at end 2012; Text Table 4), the composition of debt by level of concessionality from 2013 forward was revised (Text Table 5). The DSA assigns a larger role to non-Paris Club bilateral creditors, whose loans are nonconcessional, especially in 2015 and 2016, given specific information on undisbursed loans. Their share of new external financing rises from 49.5 percent of all new debt accrued at end-2014, reaches a maximum of 51.2 percent by 2015, and falls to 36.9 percent from 2017 onward; the composition of new debt in the 2013 DSA was characterized by a slower increase in the share of non-Paris Club members (from 28.8 percent of the total in 2012 to 41.9 percent by end-2018).

**5. Other important assumptions for the DSA remain unchanged, including the assumption of a limited overall amount of future external debt.** The fiscal financing gap is assumed to lead to an accumulation of mostly domestic debt, which does not come into play when assessing the risk of external debt distress. Some contingent liabilities in state-owned enterprises (SOEs) have been left out, because although they may be sizable, their overall amount remains hard to quantify.

### Box 1. Cameroon: Macroeconomic Assumptions for the Baseline Scenario<sup>1</sup>

#### Medium Term, 2015–19

- Real GDP growth is projected to reach an average of 5.5 percent in the medium term, supported by a strong domestic demand, a rapid increase in oil production, and high public investments. Annual inflation is projected to remain low, at 2.2 percent, in line with historical trends and below the CEMAC convergence criterion.
- The revenue-to-GDP ratio is projected to dip slightly over the medium term, from 17.7 percent of GDP in 2015 to 17.3 percent of GDP in 2019. Although oil prices are expected to ebb over the medium term, production of oil is assumed to be higher thanks to the recent discovery of an oil field and new technology to tap old wells. However, this technology is more expensive and will reduce oil revenue in proportion.
- The external current account deficit is projected to grow from 4.2 percent of GDP in 2015 to 4.4 percent of GDP in 2019. The deficit is assumed to be driven by more imports, which in turn stem from real GDP growth and the need for imported equipment and intermediate goods for infrastructure projects. As before, the current account deficit is expected to be financed through foreign direct investment, external public borrowing, and other private capital inflows.

#### Long Term, 2020–34

- Real GDP growth is projected to average 5.5 percent. Long-term growth is driven by non-oil exports, domestic demand, and a sustained rate of private capital spending consistent with the advent of a more favorable business climate.
- The revenue-to-GDP ratio is projected to decrease from 17.3 percent of GDP in 2020 to 15.3 percent of GDP in 2034. This trend assumes oil revenue will be decreasing with the depletion of oil reserves, while non-oil revenue is still sustained by further structural reforms to improve revenue collection and to usher in a more diversified economy.
- The external current account deficit is projected to decline gradually to 3.5 percent of GDP in 2034, on account of a strong non-oil export growth facilitated by the coming onstream of new infrastructure, such as the Kribi deep-sea port, while oil exports become less important.

<sup>1</sup> The baseline scenario uses the latest IMF World Economic Outlook assumptions (March 2014).



**Text Table 4. Cameroon: Committed but Non-Disbursed Loan Stocks by Category of Creditors, 2010–13**  
(CFAF billions)

	2010	2011	2012	2013
Multilateral	613	630	727	826
Bilateral	156	697	1,286	1,807
Commercial	...	94	83	85
Total	769	1,422	2,095	2,718

Source: Cameroonian authorities.

**Text Table 5. Cameroon: Allocation of New External Commitments by Concessionality Levels, 2013–34**  
(CFAF billions)

	2013	2014	2017	2020	2025	2030	2034	Average 2015-19 <sup>1</sup>	Average 2020-34 <sup>2</sup>
New borrowing, 2013 DSA	265	348	462	491	559	616	...	394	564
Concessional	59	72	80	75	77	77	...	73	76
Percent of total	22	21	17	15	14	12	...	19	14
Nonconcessional	207	276	382	417	482	539	...	321	488
Percent of total	78	79	83	85	86	88	...	81	86
New borrowing, 2014 DSA <sup>3</sup>	487	574	463	520	728	985	1,273	495	852
Concessional	147	170	211	234	321	423	538	201	370
Percent of total	30	30	46	45	44	43	42	41	43
Nonconcessional	340	404	252	286	407	561	734	295	482
Percent of total	70	70	54	55	56	57	58	59	56

Sources: IMF and World Bank staff estimates and projections.

<sup>1</sup> 2013 DSA referred to periods 2013-18.

<sup>2</sup> 2013 DSA referred to periods 2019-33.

<sup>3</sup> Includes external borrowing by SOEs of 7 percent of public external borrowing in 2016 and 2017, peaking at 9 percent in 2028.

## EXTERNAL DEBT SUSTAINABILITY ASSESSMENT

**6. The Low Income Countries (LICs) debt sustainability framework is guided by country-specific indicative debt burden thresholds for external debt.** These thresholds reflect the empirical findings that sustainable debt levels for a LIC increase with the quality of policies and institutions, which is measured by the World Bank's Country Policy and Institutional Assessment (CPIA) index (Text Table 6). This DSA is informed by Cameroon's CPIA score for 2012. The score of 3.23, on a scale of 1 to 6, has virtually not changed over the last five years and corresponds to an assessment of weak institutional capacity. Cameroon's rank is better than the CEMAC average (2.9) and in line with the sub-Saharan African (SSA) average. The indicative external debt burden thresholds for countries in this category are (i) a present value (PV) of the debt-to-exports ratio of 100 percent; (ii) a PV of the debt-to-revenue ratio of 200 percent; (iii) a PV of the debt-to-GDP ratio of 30 percent; and (iv) debt service-to-exports and revenue ratios of 15 percent and 18 percent, respectively.

**Text Table 6. Cameroon: Country Policy and Institutional Assessment Ratings, 2008–12<sup>1</sup>**

	2008	2009	2010	2011	2012
Cameroon	3.21	3.21	3.17	3.18	3.23
CEMAC <sup>2</sup>	2.74	2.79	2.80	2.84	2.86
Sub-Saharan Africa <sup>2</sup>	3.15	3.17	3.21	3.20	3.17

Source: World Bank, World Development Indicators (2013).

<sup>1</sup> CPIA ratings measure the quality of a country's policies and institutions; they range from 1 (Low) to 6 (High).

<sup>2</sup> Poverty Reduction and Growth Trust (PRGT) eligible countries.

**7. Cameroon's external debt remains sustainable, with all external debt ratios staying below their respective thresholds** (Text Table 7 and Figure 1). There is, however, an upward trend for all debt ratio indicators, before subsequently abating at the end of the projection period. This is due to the assumption that the large fiscal financing gaps in the macroeconomic framework are to be financed by domestic debt, while external debt accumulation remains on a more modest path by comparison. Moreover, the grant element of new external borrowing is on average lower than in the previous DSA, while other relevant variables do not change much. These developments lead to a bigger challenge to finance public investments sustainably.

**Text Table 7. Cameroon: Baseline Debt Ratios, 2014–34**

(Percent)

	Threshold	Medium term		Long term
		2014	2015-19	2020-34
Debt Sustainability Analysis, 2014				
<b>External debt</b>				
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
<b>Public debt</b>				
PV of debt-to-GDP		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
Debt Sustainability Analysis, 2013				
<b>External debt</b>				
PV of debt-to-GDP	30	7.7	11.1	14.7
PV of debt-to-exports	100	27.0	41.0	64.9
PV of debt-to-revenue	200	39.4	58.0	80.8
Debt service-to-exports	15	1.6	2.2	4.0
Debt service-to-revenue	18	2.4	3.1	5.0
<b>Public debt</b>				
PV of debt-to-GDP		17.2	25.9	44.5
PV of debt-to-revenue		86.5	132.7	244.8
Debt service-to-revenue		7.7	10.5	14.1

Sources: IMF and World Bank staff estimates and projections.

**8. However, Cameroon’s risk of external debt distress, based on strenuous standard stress testing, has increased from “low” to “moderate.”** A shock to exports causes the ratio of the PV of external debt to exports to exceed 100 percent by 2016 (Figure 1, panel c). This new development reflects the higher external debt stock at end-2013, the magnitude of the standard stress test,<sup>3</sup> and, to a lesser extent, the change toward less concessionality in the composition of new external debt.

## PUBLIC SECTOR DEBT SUSTAINABILITY ASSESSMENT

**9. As in the previous DSA, the inclusion of domestic debt exacerbates the pace of accumulation of public debt, and shows a clear deterioration in the debt ratios.** The stock of domestic debt is projected to increase faster than external debt over the medium term, as the projected fiscal financing gaps are rolled up into domestic debt, in the form of new government securities, more securitization of arrears, and the accumulation of further domestic arrears. Therefore, the PV of debt-to-GDP ratio is expected to reach higher levels than in the previous DSA, from 19.5 percent of GDP in 2014 to almost 50.9 percent of GDP in 2034, after breaching the indicative ceiling of 38 percent of GDP in 2021. The PV of debt-to-revenue and the PV of debt service-to-revenue show a similar upward trajectory.

**10. The overall amount and the uncertain financing terms of the financing gaps, and the uncertain level of contingent liabilities add another element of risk.** While Cameroon faces a moderate risk of debt distress based on an assessment of public external debt, it faces a higher overall risk of debt distress reflecting significant vulnerabilities related to its weak domestic debt policy, such as a roll-over risk.

## CONCLUSION

**11. This DSA confirms the growing risk of an unsustainable accumulation of total public debt.** Its mitigation requires a mix of a more conservative fiscal policy and more favorable debt terms. Although Cameroon’s current debt burden remains low, both domestic and external borrowings have expanded at a rapid pace and at increasingly nonconcessional terms. Risks are growing because future financing needs remain unidentified and reasonable pricing and maturities may not be secured.

**12. On the basis of this DSA, Cameroon’s external debt remains sustainable, but its risk of external debt distress has increased from “low” to “moderate.”** All debt indicators trend below their policy-dependent thresholds, but a shock to exports causes the ratio of PV of external debt to exports to exceed 100 percent by 2016. This underscores Cameroon’s particular vulnerability to an oil price shock, or a more limited increase in oil production than currently foreseen. This result calls for the adoption of prudent debt policies favoring more concessional terms, and the importance of economic growth to help diversify the export base and generate additional revenue. Nonconcessional loans should only be considered for well-assessed, high-yield commercial or infrastructure projects that will generate sufficient government

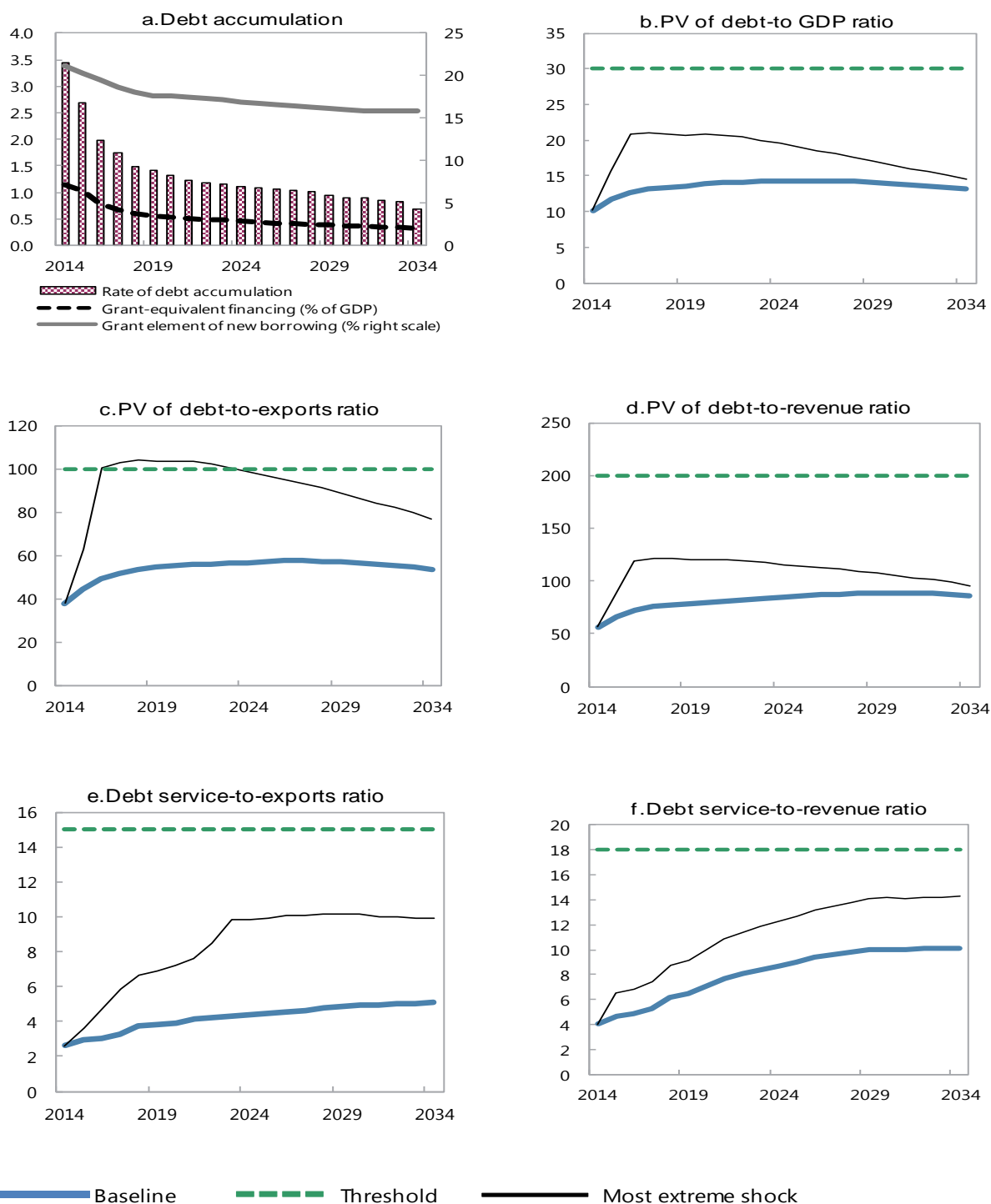
<sup>3</sup> The relevant “most extreme” stress test is a growth rate of exports at its 10-year historical average minus one standard deviation applied over 2015 and 2016, resulting in a negative growth of exports of 7.1 percent each year (versus a negative growth of 5.7 percent for two successive years in the 2013 DSA). A shock resulting in negative growth of exports of less than 5.8 percent for 2015 and 2016 would not cause a breach of the policy-dependent threshold, nor would any of the other standard stress tests.

revenue to cover debt service related to the projects. Export growth will originate primarily from the private sector, which requires a more favorable business climate.

**13. The rapid increase in external debt between the previous and this DSA points to significant risks related to insufficient data coverage, lags in communication with some creditors, and, to date, inoperative upstream controls on new debt contracting.** Current project implementation arrangements allow for direct payments between foreign contractor and external lender, which need to be reported without delay to the Government. The creation of the National Public Debt Committee (NPDC) has been a step in the right direction, but questions remain as to its effective role in the process of evaluating and contracting new debt. Given the rapid rise in external debt and the large undisbursed debt overhang, staffs recommend subjecting new disbursements of external debt to a prior approval by the NPDC.

**14. The Cameroonian authorities have indicated their agreement with the analysis and conclusions reached in this DSA.** They agreed that it is essential to maintain debt sustainability, and share the view that current debt trends, if left unaddressed, pose a risk to the country's long-term fiscal stability. Staffs recommended to subject new loans to a review by the NPDC to ascertain their consistency with debt sustainability. The authorities noted that given the large financing needs in the near term, they may have to contract nonconcessional loans in the absence of available alternative concessional financing for projects with a high return. The authorities are working with the World Bank regarding the ceiling of nonconcessional loans.

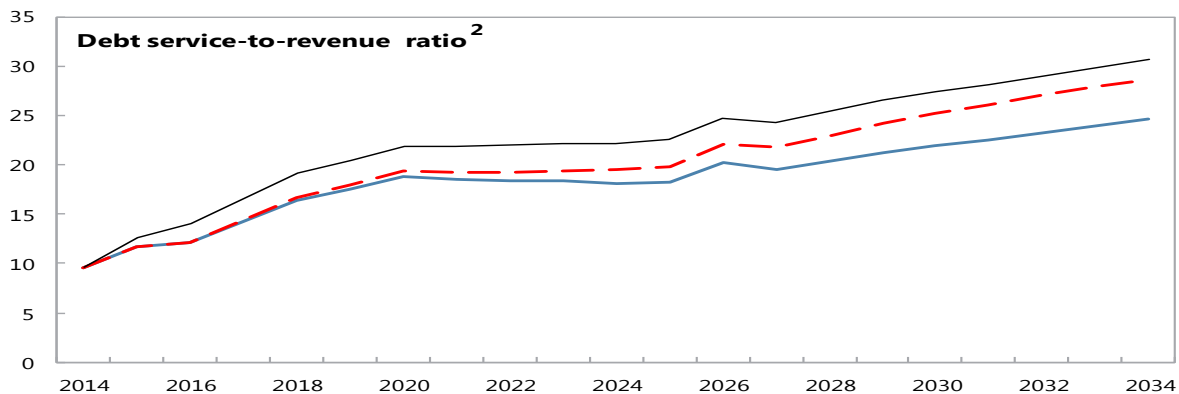
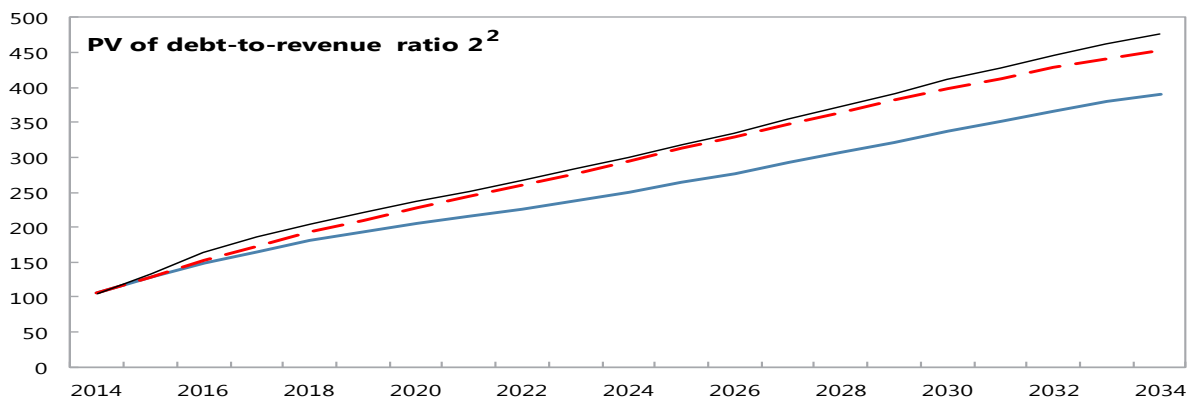
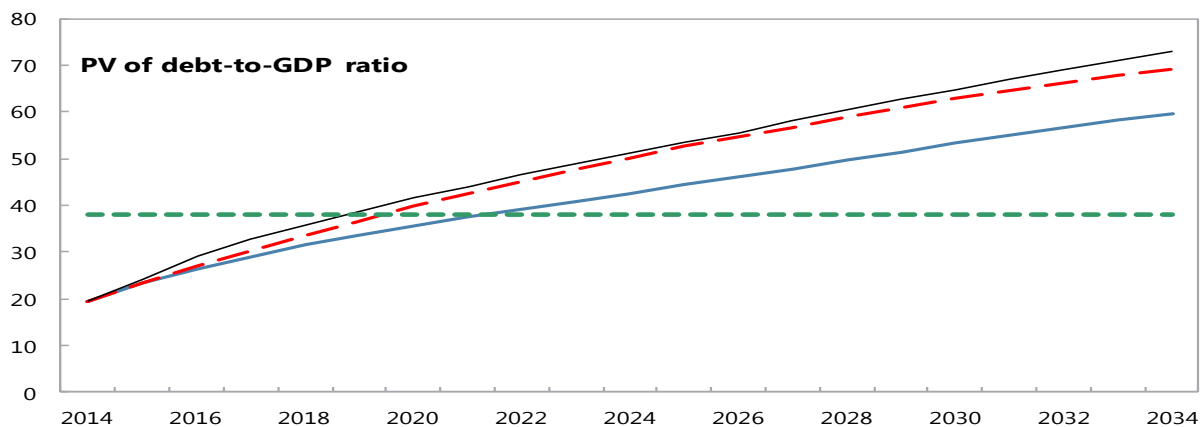
**Figure 1. Cameroon: Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2014–34<sup>1</sup>**



Sources: Country authorities, and IMF and World Bank staff estimates and projections.

<sup>1</sup> The most extreme stress test is the test that yields the highest ratio on or before 2024. In figures b, d and f, it corresponds to a non-debt flows shock; in figures c and e, it corresponds to an exports shock.

**Figure 2. Cameroon: Indicators of Public Debt Under Alternative Scenarios, 2014–34<sup>1</sup>**



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

<sup>1</sup> The most extreme stress test is the test that yields the highest ratio on or before 2023.

<sup>2</sup> Revenues are defined inclusive of grants.

**Table 1. Cameroon: Public Sector Debt Sustainability, Baseline Scenario, 2011–34**  
(Percent of GDP, unless otherwise indicated)

	Actual			Average <sup>5/</sup>	Standard Deviation <sup>5/</sup>	Estimate		Projections							
	2011	2012	2013			2014	2015	2016	2017	2018	2019	2014-19 Average	2024	2034	2020-34 Average
<b>Public sector debt 1/</b>	13.8	16.1	19.5			24.0	28.0	31.1	33.8	36.3	38.4		48.6	68.3	
<i>of which: foreign-currency denominated</i>	7.7	9.3	12.5			14.7	16.4	17.2	17.7	17.8	17.8		18.0	15.8	
Change in public sector debt	1.7	2.3	3.4			4.5	4.0	3.0	2.7	2.5	2.1		2.0	1.7	
Identified debt-creating flows	1.8	1.2	2.1			4.0	3.7	2.8	2.5	2.2	1.9		1.8	1.7	
Primary deficit	2.4	1.3	3.6	-3.7	10.8	5.1	5.1	4.3	4.1	4.0	3.7	4.4	3.8	4.6	4.1
Revenue and grants	18.7	18.8	18.1			18.6	18.2	17.7	17.6	17.5	17.5		17.0	15.3	
<i>of which: grants</i>	0.5	0.4	0.3			0.5	0.5	0.3	0.3	0.2	0.2		0.1	0.0	
Primary (noninterest) expenditure	21.2	20.1	21.8			23.6	23.3	22.0	21.7	21.4	21.2		20.8	19.9	
Automatic debt dynamics	-0.6	-0.6	-1.7			-1.1	-1.3	-1.5	-1.6	-1.7	-1.8		-2.0	-2.9	
Contribution from interest rate/growth differential	-0.5	-0.6	-0.9			-1.0	-1.1	-1.3	-1.4	-1.6	-1.6		-2.0	-2.9	
<i>of which: contribution from average real interest rate</i>	0.0	0.0	-0.1			0.0	0.2	0.2	0.2	0.2	0.3		0.4	0.5	
<i>of which: contribution from real GDP growth</i>	-0.5	-0.6	-0.8			-1.0	-1.3	-1.5	-1.6	-1.8	-1.9		-2.4	-3.4	
Contribution from real exchange rate depreciation	-0.1	0.0	-0.8			-0.1	-0.2	-0.2	-0.2	-0.2	-0.2		...	...	
Other identified debt-creating flows	0.0	0.5	0.2			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)	0.0	0.5	0.2			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	-0.1	1.1	1.3			0.5	0.3	0.3	0.3	0.2	0.2		0.2	0.0	
<b>Other Sustainability Indicators</b>															
<b>PV of public sector debt</b>	...	...	14.7			19.5	23.3	26.4	29.3	31.9	34.2		44.7	64.8	50.9
<i>of which: foreign-currency denominated</i>	...	...	7.7			10.2	11.8	12.6	13.1	13.4	13.6		14.1	12.4	13.5
<i>of which: external</i>	...	...	7.7			10.2	11.8	12.6	13.1	13.4	13.6		14.1	12.4	13.5
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	3.7	3.0	5.1			6.9	7.2	6.4	6.6	6.8	6.8		7.0	8.6	7.6
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	80.9			105.1	128.0	148.8	166.7	182.8	195.3		262.3	424.0	313.6
PV of public sector debt-to-revenue ratio (in percent)	...	...	82.4			108.2	131.6	151.3	169.1	185.0	197.3		263.9	425.1	315.1
<i>of which: external 3/</i>	...	...	43.0			56.4	66.3	72.1	75.9	77.9	78.6		83.0	81.0	83.1
Debt service-to-revenue and grants ratio (in percent) 4/	7.0	8.9	8.4			9.6	11.7	12.1	14.3	16.5	17.6		18.6	26.1	21.3
Debt service-to-revenue ratio (in percent) 4/	7.2	9.1	8.5			9.9	12.0	12.3	14.5	16.7	17.8		18.7	26.1	21.4
Primary deficit that stabilizes the debt-to-GDP ratio	0.7	-1.0	0.2			0.6	1.1	1.2	1.4	1.5	1.6		1.8	2.9	2.1
<b>Key macroeconomic and fiscal assumptions</b>															
Real GDP growth (in percent)	4.1	4.6	5.2	3.5	1.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.4	5.5
Average nominal interest rate on forex debt (in percent)	2.8	2.4	3.2	1.8	0.7	1.9	2.3	2.4	2.6	2.7	2.8	2.5	3.1	3.3	3.2
Average real interest rate on domestic debt (in percent)	-1.6	-0.3	-4.4	-1.0	2.5	-0.1	1.0	0.7	1.0	0.9	0.9	0.7	0.7	0.7	0.7
Real exchange rate depreciation (in percent, + indicates depreciation)	-1.2	-0.5	-8.7	-2.1	4.3	-1.0	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	3.7	2.8	6.3	2.7	2.6	2.0	1.8	2.0	1.9	1.9	1.9	1.9	1.8	1.8	1.8
Growth of real primary spending (deflated by GDP deflator, in percent)	19.5	-0.6	13.9	3.3	7.2	14.6	4.1	-0.2	3.8	4.2	4.6	5.2	5.2	5.0	5.1
Grant element of new external borrowing (in percent)	...	...	...	...	...	21.2	20.3	19.1	18.2	17.6	17.1	18.9	16.5	15.4	...

Sources: Country authorities; and staff estimates and projections.

1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]

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, 2014–34**

	Projections								
	2014	2015	2016	2017	2018	2019	2024	2025	2034
<b>PV of debt-to-GDP ratio</b>									
<b>Baseline</b>	19	23	26	29	32	34	45	47	65
<b>A. Alternative scenarios</b>									
A1. Real GDP growth and primary balance are at historical averages	19	18	16	14	13	11	3	2	-6
A2. Primary balance is unchanged from 2014	19	23	27	30	34	37	52	54	73
A3. Permanently lower GDP growth 1/	19	23	27	30	32	35	47	49	72
<b>B. Bound tests</b>									
B1. Real GDP growth is at historical average minus one standard deviations in 2015-20:	19	24	29	33	36	39	53	56	78
B2. Primary balance is at historical average minus one standard deviations in 2015-201	19	25	30	32	35	37	47	49	66
B3. Combination of B1-B2 using one half standard deviation shocks	19	22	23	27	31	34	48	51	74
B4. One-time 30 percent real depreciation in 2015	19	27	30	32	35	37	46	48	66
B5. 10 percent of GDP increase in other debt-creating flows in 2015	19	30	33	36	38	40	49	51	68
<b>PV of debt-to-revenue ratio <sup>2</sup></b>									
<b>Baseline</b>	105	128	149	167	183	195	262	279	424
<b>A. Alternative scenarios</b>									
A1. Real GDP growth and primary balance are at historical averages	105	97	90	81	73	64	18	10	-42
A2. Primary balance is unchanged from 2014	105	128	152	173	194	211	303	323	480
A3. Permanently lower GDP growth 1/	105	128	150	169	186	199	275	294	468
<b>B. Bound tests</b>									
B1. Real GDP growth is at historical average minus one standard deviations in 2015-20:	105	134	164	187	207	224	313	333	511
B2. Primary balance is at historical average minus one standard deviations in 2015-201	105	136	167	184	200	211	276	292	433
B3. Combination of B1-B2 using one half standard deviation shocks	105	118	132	155	176	194	282	303	482
B4. One-time 30 percent real depreciation in 2015	105	149	168	184	198	209	272	288	432
B5. 10 percent of GDP increase in other debt-creating flows in 2015	105	166	186	202	217	228	290	305	442
<b>Debt service-to-revenue ratio <sup>2</sup></b>									
<b>Baseline</b>	10	12	12	14	16	18	19	19	26
<b>A. Alternative scenarios</b>									
A1. Real GDP growth and primary balance are at historical averages	10	12	12	13	15	16	11	10	1
A2. Primary balance is unchanged from 2014	10	12	12	14	17	18	20	20	30
A3. Permanently lower GDP growth 1/	10	12	12	14	17	18	19	20	28
<b>B. Bound tests</b>									
B1. Real GDP growth is at historical average minus one standard deviations in 2015-20:	10	12	13	15	18	19	21	21	31
B2. Primary balance is at historical average minus one standard deviations in 2015-201	10	12	12	15	17	18	20	20	27
B3. Combination of B1-B2 using one half standard deviation shocks	10	12	12	14	17	18	19	19	29
B4. One-time 30 percent real depreciation in 2015	10	13	14	17	19	20	23	23	32
B5. 10 percent of GDP increase in other debt-creating flows in 2015	10	12	13	16	17	19	21	21	28

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, 2010–34**  
(Percent of GDP, unless otherwise indicated)

	Actual			Historical Average	Standard Deviation	Projections							2014-2019		2020-2034	
	2011	2012	2013			2014	2015	2016	2017	2018	2019	Average	2024	2034	Average	
<b>External debt (nominal) 1/</b>	<b>7.7</b>	<b>9.3</b>	<b>12.5</b>			<b>14.7</b>	<b>16.4</b>	<b>17.2</b>	<b>17.7</b>	<b>17.8</b>	<b>17.8</b>	<b>18.0</b>	<b>15.8</b>			
<i>of which: public and publicly guaranteed (PPG)</i>	7.7	9.3	12.5			14.7	16.4	17.2	17.7	17.8	17.8	18.0	15.8			
Change in external debt	1.2	1.6	3.3			2.2	1.8	0.8	0.4	0.1	0.0	-0.1	-0.4			
Identified net debt-creating flows	0.1	2.0	2.1			2.8	2.5	1.3	0.9	0.6	0.4	-0.5	-0.4			
<b>Non-interest current account deficit</b>	<b>2.8</b>	<b>3.8</b>	<b>3.8</b>	<b>1.6</b>	<b>1.5</b>	<b>3.6</b>	<b>3.9</b>	<b>4.0</b>	<b>4.0</b>	<b>4.1</b>	<b>4.0</b>	<b>3.6</b>	<b>3.0</b>		3.6	
Deficit in balance of goods and services	2.6	3.0	3.3			3.0	3.3	3.4	3.5	3.5	3.5	2.9	2.3		2.9	
Exports	29.6	29.2	27.2			27.0	26.4	25.7	25.4	25.1	25.0	24.8	23.3		24.2	
Imports	32.2	32.2	30.4			30.0	29.8	29.2	28.8	28.7	28.5	27.7	25.6			
Net current transfers (negative = inflow)	-1.0	-0.8	-1.1	-1.5	0.6	-1.1	-1.0	-1.0	-0.9	-0.9	-0.8	-0.6	-0.3		-0.5	
<i>of which: official</i>	-1.0	-0.9	-0.3			-0.3	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.1			
Other current account flows (negative = net inflow)	1.1	1.6	1.6			1.6	1.6	1.5	1.5	1.4	1.4	1.3	0.9			
<b>Net FDI (negative = inflow)</b>	<b>-2.1</b>	<b>-2.1</b>	<b>-0.7</b>	<b>-4.2</b>	<b>7.9</b>	<b>-0.4</b>	<b>-1.0</b>	<b>-2.3</b>	<b>-2.6</b>	<b>-3.1</b>	<b>-3.1</b>	<b>-3.7</b>	<b>-3.1</b>		-3.6	
<b>Endogenous debt dynamics 2/</b>	<b>-0.6</b>	<b>0.2</b>	<b>-1.0</b>			<b>-0.4</b>	<b>-0.4</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-0.3</b>			
Contribution from nominal interest rate	0.2	0.2	0.3			0.2	0.3	0.4	0.4	0.4	0.5	0.5	0.5			
Contribution from real GDP growth	-0.2	-0.4	-0.4			-0.6	-0.7	-0.8	-0.9	-0.9	-0.9	-0.9	-0.8			
Contribution from price and exchange rate changes	-0.5	0.4	-0.8			...	...	...	...	...	...	...	...			
<b>Residual (3-4) 3/</b>	<b>1.1</b>	<b>-0.4</b>	<b>1.2</b>			<b>-0.6</b>	<b>-0.7</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-0.4</b>	<b>-0.4</b>	<b>0.4</b>	<b>0.0</b>			
<i>of which: exceptional financing</i>	-1.3	0.3	-0.3			-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0			
PV of external debt 4/	...	...	7.7			10.2	11.8	12.6	13.1	13.4	13.6	14.1	12.4			
In percent of exports	...	...	28.2			37.7	44.4	48.9	51.8	53.5	54.3	56.6	53.1			
<b>PV of PPG external debt</b>	<b>...</b>	<b>...</b>	<b>7.7</b>			<b>10.2</b>	<b>11.8</b>	<b>12.6</b>	<b>13.1</b>	<b>13.4</b>	<b>13.6</b>	<b>14.1</b>	<b>12.4</b>			
In percent of exports	...	...	28.2			37.7	44.4	48.9	51.8	53.5	54.3	56.6	53.1			
In percent of government revenues	...	...	43.0			56.4	66.3	72.1	75.9	77.9	78.6	83.0	81.0			
<b>Debt service-to-exports ratio (in percent)</b>	<b>1.1</b>	<b>1.7</b>	<b>1.9</b>			<b>2.7</b>	<b>3.1</b>	<b>3.3</b>	<b>3.6</b>	<b>4.3</b>	<b>4.5</b>	<b>5.9</b>	<b>6.6</b>			
<b>PPG debt service-to-exports ratio (in percent)</b>	<b>1.1</b>	<b>1.7</b>	<b>1.9</b>			<b>2.7</b>	<b>3.1</b>	<b>3.3</b>	<b>3.6</b>	<b>4.3</b>	<b>4.5</b>	<b>5.9</b>	<b>6.6</b>		6.2	
<b>PPG debt service-to-revenue ratio (in percent)</b>	<b>1.7</b>	<b>2.6</b>	<b>2.8</b>			<b>4.0</b>	<b>4.6</b>	<b>4.8</b>	<b>5.3</b>	<b>6.2</b>	<b>6.5</b>	<b>8.7</b>	<b>10.1</b>		9.2	
Total gross financing need (Billions of U.S. dollars)	0.3	0.6	1.0			1.3	1.3	1.0	1.0	1.0	1.0	1.0	2.2		1.3	
Non-interest current account deficit that stabilizes debt ratio	1.6	2.3	0.5			1.4	2.1	3.2	3.6	4.0	3.9	3.6	3.3		3.7	
<b>Key macroeconomic assumptions</b>																
Real GDP growth (in percent)	4.1	4.6	5.2	3.5	1.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.4		5.5	
GDP deflator in US dollar terms (change in percent)	8.7	-5.0	9.8	4.6	7.4	5.1	3.7	3.2	3.5	3.3	3.3	3.7	1.8		1.8	
Effective interest rate (percent) 5/	2.8	2.4	3.2	1.8	0.7	1.9	2.3	2.4	2.6	2.7	2.8	2.5	3.1		3.2	
Growth of exports of G&S (US dollar terms, in percent)	32.4	-2.0	7.6	10.9	18.0	10.0	7.3	6.0	7.7	7.9	8.8	7.9	6.7		6.9	
Growth of imports of G&S (US dollar terms, in percent)	26.5	-0.7	9.2	11.8	14.8	9.3	8.6	6.7	7.9	8.4	8.5	8.2	6.5		6.7	
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	21.2	20.3	19.1	18.2	17.6	17.1	18.9	16.5		16.1	
Government revenues (excluding grants, in percent of GDP)	18.2	18.3	17.8			18.0	17.7	17.5	17.3	17.2	17.3	16.9	15.3		16.3	
Aid flows (in Billions of US dollars) 7/	0.4	0.5	0.4			0.5	0.5	0.5	0.6	0.6	0.6	0.8	0.1			
<i>of which: Grants</i>	0.1	0.1	0.1			0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1			
<i>of which: Concessional loans</i>	0.2	0.4	0.3			0.4	0.4	0.4	0.5	0.5	0.5	0.7	0.0			
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			1.3	1.2	0.8	0.7	0.6	0.6	0.5	0.3		0.4	
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			31.2	30.2	27.3	26.0	24.8	23.4	20.5	17.2		19.3	
<b>Memorandum items:</b>																
Nominal GDP (Billions of US dollars)	25.5	25.3	29.3			32.5	35.5	38.7	42.3	46.1	50.3	72.1	148.1			
Nominal dollar GDP growth	13.2	-0.7	15.6			10.9	9.4	8.9	9.2	9.1	9.0	9.4	7.4		7.5	
PV of PPG external debt (in Billions of US dollars)	...	...	2.3			3.3	4.2	4.9	5.6	6.2	6.9	10.2	18.4			
(Pvt-Pvt-1)/GDPt-1 (in percent)	...	...	...			3.5	2.7	2.0	1.8	1.5	1.4	2.1	1.0		0.9	
Gross workers' remittances (Billions of US dollars)	0.4	0.3	0.5			0.5	0.5	0.6	0.6	0.6	0.6	0.7	0.8			
PV of PPG external debt (in percent of GDP + remittances)	...	...	7.5			10.0	11.6	12.4	13.0	13.3	13.4	13.9	12.3			
PV of PPG external debt (in percent of exports + remittances)	...	...	26.5			35.6	42.0	46.3	49.2	50.8	51.8	54.5	51.9			
Debt service of PPG external debt (in percent of exports + remittance)	...	...	1.7			2.5	2.9	3.1	3.4	4.1	4.3	5.7	6.5			

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as  $[r - g - \rho(1+g)] / (1+g+\rho+gp)$  times previous period debt ratio, with  $r$  = nominal interest rate;  $g$  = real GDP growth rate, and  $\rho$  = 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

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, 2014–34**

(Percent)

	Projections							
	2014	2015	2016	2017	2018	2019	2024	2034
<b>PV of debt-to GDP ratio</b>								
<b>Baseline</b>	10	12	13	13	13	14	<b>14</b>	12
<b>A. Alternative Scenarios</b>								
A1. Key variables at their historical averages in 2014-2034 1/	10	8	6	4	2	1	<b>-5</b>	-8
A2. New public sector loans on less favorable terms in 2014-2034 2	10	12	13	14	15	15	<b>16</b>	16
<b>B. Bound Tests</b>								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	10	12	13	14	14	15	<b>15</b>	13
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	10	14	20	20	20	20	<b>18</b>	13
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	10	13	14	15	15	16	<b>16</b>	14
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	10	15	20	20	20	20	<b>19</b>	14
B5. Combination of B1-B4 using one-half standard deviation shocks	10	14	19	19	19	19	<b>19</b>	14
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	10	17	18	19	19	19	<b>20</b>	18
<b>PV of debt-to-exports ratio</b>								
<b>Baseline</b>	38	44	49	52	53	54	<b>57</b>	53
<b>A. Alternative Scenarios</b>								
A1. Key variables at their historical averages in 2014-2034 1/	38	30	23	16	9	3	<b>-21</b>	-35
A2. New public sector loans on less favorable terms in 2014-2034 2	38	46	52	56	58	59	<b>65</b>	67
<b>B. Bound Tests</b>								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	38	45	49	52	54	55	<b>57</b>	53
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	38	63	100	103	104	104	<b>98</b>	76
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	38	45	49	52	54	55	<b>57</b>	53
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	38	58	79	81	81	81	<b>76</b>	58
B5. Combination of B1-B4 using one-half standard deviation shocks	38	53	72	75	76	76	<b>75</b>	62
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	38	45	49	52	54	55	<b>57</b>	53
<b>PV of debt-to-revenue ratio</b>								
<b>Baseline</b>	56	66	72	76	78	79	<b>83</b>	81
<b>A. Alternative Scenarios</b>								
A1. Key variables at their historical averages in 2014-2034 1/	56	45	35	24	14	4	<b>-30</b>	-54
A2. New public sector loans on less favorable terms in 2014-2034 2	56	69	77	82	84	86	<b>95</b>	102
<b>B. Bound Tests</b>								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	56	69	77	81	83	84	<b>89</b>	86
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	56	81	112	114	115	113	<b>109</b>	88
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	56	71	82	87	89	90	<b>95</b>	92
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	56	86	116	118	118	117	<b>112</b>	89
B5. Combination of B1-B4 using one-half standard deviation shocks	56	79	108	111	112	111	<b>110</b>	95
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	56	94	102	108	110	111	<b>118</b>	115

**Table 3b. Cameroon: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2014–34 (concluded)**

(Percent)

<b>Debt service-to-exports ratio</b>								
<b>Baseline</b>	3	3	3	4	4	4	<b>6</b>	7
<b>A. Alternative Scenarios</b>								
A1. Key variables at their historical averages in 2014-2034 1/	3	3	3	3	3	3	<b>2</b>	0
A2. New public sector loans on less favorable terms in 2014-2034 2	3	3	3	3	3	3	<b>4</b>	5
<b>B. Bound Tests</b>								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	3	3	3	4	4	4	<b>6</b>	7
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	3	4	5	6	7	7	<b>10</b>	10
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	3	3	3	4	4	4	<b>6</b>	7
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	3	3	4	4	5	5	<b>8</b>	8
B5. Combination of B1-B4 using one-half standard deviation shocks	3	3	4	4	5	5	<b>8</b>	8
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	3	3	3	4	4	4	<b>6</b>	7
<b>Debt service-to-revenue ratio</b>								
<b>Baseline</b>	4	5	5	5	6	6	<b>9</b>	10
<b>A. Alternative Scenarios</b>								
A1. Key variables at their historical averages in 2014-2034 1/	4	5	4	4	5	5	<b>3</b>	0
A2. New public sector loans on less favorable terms in 2014-2034 2	4	5	4	4	5	5	<b>6</b>	8
<b>B. Bound Tests</b>								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	4	5	5	6	7	7	<b>9</b>	11
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	4	5	5	6	7	7	<b>11</b>	12
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	4	5	5	6	7	7	<b>10</b>	11
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	4	5	5	6	7	7	<b>12</b>	12
B5. Combination of B1-B4 using one-half standard deviation shocks	4	5	6	7	8	8	<b>11</b>	12
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	4	7	7	7	9	9	<b>12</b>	14
<i>Memorandum item:</i>								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	29	29	29	29	29	29	<b>29</b>	29

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 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.



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## **IMF Executive Board Concludes 2014 Article IV Consultation with Cameroon**

On June 30, 2014, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Cameroon<sup>1</sup> and considered and endorsed the staff appraisal without a meeting.<sup>2</sup>

### **Background**

The pace of economic growth accelerated in 2013, reaching 5.5 percent (compared to 4.6 percent in 2012). Average annual inflation remained subdued at 2.1 percent, because food prices remained stable and fuel prices, controlled. Growth was particularly buoyant in the services and construction sectors, the latter supported by strong public investment. The higher demand for capital goods led to an increase in imports, which offset the improving export performance of the oil sector.

Cameroon's robust economic performance since 2007 does not appear to have dented poverty significantly. Recent estimates show a slight decrease from 39.9 percent of the population in 2007 to 38.7 percent in 2011, while growth incidence curves indicate that inequality may have increased.

The fiscal situation deteriorated in 2013. Oil revenue, which represented more than a quarter of all revenue, was lower than expected, because oil production and prices remained stable, but production costs increased. Retail fuel subsidies reached 2.8 percent of GDP and externally financed capital expenditure surged to 3.4 percent of GDP. These developments led to a budget deficit (on a cash basis) of over 4 percent of GDP, versus 2 percent of GDP in 2012.

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<sup>1</sup> Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually very 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.

<sup>2</sup> Article IV consultations are concluded without a Board meeting when the following conditions apply: (i) there are no acute or significant risks, or general policy issues requiring Board discussion; (ii) policies or circumstances are unlikely to have significant regional or global impact; (iii) in the event a parallel program review is being completed, it is also being completed on a lapse-of-time basis; and (iv) the use of Fund resources is not under discussion or anticipated.

Cameroon's debt burden remains low, thanks in part to extensive debt relief in 2006, but it is growing at a fast pace. As a result of new nonconcessional external debt, the debt sustainability analysis shows that Cameroon's risk of external debt distress has increased from "low" to "moderate". On current trends, overall public debt is slated to double as a percentage of GDP between 2012 and 2019.

There has been progress in the banking system, as two previously troubled banks were able to restructure their balance sheets. The regional supervisory authority is in the process of strengthening its human resources to increase the frequency of its supervisions. A major concern remains the excessive concentration in bank credit toward the financially fragile national oil refinery.

Economic growth is expected to remain at about 5.5 percent annually over the medium term under current policies, while inflation is projected to remain below the regional convergence criterion of 3 percent. Oil exports will be sustained by volume growth, although prices are projected to decrease gradually. Large public investment projects in infrastructure will continue to support non-oil growth over the next few years. The private sector's response to the new infrastructure is expected to take over as the main driver of growth thereafter, assuming a significant improvement in the business environment.

Substantial risks undermine Cameroon's development prospects. Regional insecurity has deteriorated markedly over the past year. Fuel subsidies and a weak revenue effort continue to undermine a more pro-poor and pro-growth budget; and limited progress in improving the business environment stymies the advent of the formal private sector.

### **Executive Board Assessment**

In concluding the 2014 Article IV consultation with Cameroon, Executive Directors endorsed staff's appraisal, as follows:

Cameroon's increased public investment spending has accelerated growth. The authorities need to implement higher quality policies and improve governance to promote development. The current level of growth, in itself, is not sufficient to accelerate poverty reduction and achieve upper-middle-income country status by 2035. A combination of reforms to enhance the cost-effectiveness of public expenditure and to foster private sector response has become critical. Regional security risks add an element of urgency to reforms to make the economy more resilient and to rekindle regional integration.

The fiscal stance requires adjustment. Risks to the 2014 budget need to be addressed without delay to avoid further accumulation of domestic arrears that undermine fiscal sustainability. Non-oil revenue performance will remain tepid unless unwarranted exemptions are removed, the tax base is broadened, and tax administration is made more effective. International oil prices and domestic demand will keep fuel subsidies high, unless pump prices are progressively raised. Contingent liabilities in the public and banking sectors and Public Private Partnerships (PPP) threaten fiscal sustainability.

The envisaged ratification of the Economic Partnership Agreement (EPA) could further undermine revenue in the long term. An evaluation of its direct and indirect impacts on revenue is necessary, and could inform new discussions on regional integration with the Central African Economic and Monetary Community (CEMAC) partner countries.

Although debt remains sustainable, new external liabilities have pushed the risk of external debt distress from “low” to “moderate.” The level of external debt remains low relative to the average of Sub-Saharan Africa (SSA) but the pace of debt accumulation is faster, and the risk of external debt distress would be higher still if the composition of future financing were to preserve or exceed external levels observed in 2013 and expected for 2014, rather than gradually decreasing as currently projected. The sensitivity of external debt sustainability to exports calls for export diversification.

The projected external debt accumulation points to a need to generate more value from public investment. A three-pronged approach is necessary: (i) a new round of project selection to identify projects with a high impact on growth and poverty reduction, and the rolling back of non-essential projects; (ii) the integrity of public financial management needs to be strengthened, including competitive procurement to generate more cost-effective spending; and (iii) the terms of new debt need to be more concessional.

A broad array of reforms to the business environment needs to be initiated, because its credibility will take time to establish. The private sector needs to take over as the main engine of growth by the time the public investment program is scaled back. The various reform areas cited by the Doing Business indicators point to a direct link between improvements in revenue policy, public financial management and private sector activity; they include “trading across borders” and “paying taxes”.

Risks to the banking system have receded, but financial intermediation remains low. The restructuring of two troubled banks leaves only three small banks in need of a resolution. The microfinance sector could expand faster and with less risk with the adoption of a regulatory framework and diligent joint supervision by the Commission Bancaire de l’Afrique Centrale (COBAC) and the Ministry of Finance. The new bank for Small and Medium Enterprises (SME) is in need of regulatory vigilance, starting with its credit policy.

<b>Cameroon: Selected Economic and Financial Indicators, 2012–15</b>				
	2012	2013	2014	2015
	Act.	Est.	Proj.	Proj.
(Annual percentage change, unless otherwise indicated)				
<b>National income and prices</b>				
GDP at constant prices	4.6	5.5	5.5	5.5
Oil GDP at constant prices	3.5	3.0	4.5	9.0
Non-oil GDP at constant prices	4.6	5.6	5.6	5.4
GDP deflator	3.1	1.5	2.1	1.9
Consumer prices (average)	2.4	2.1	2.2	2.2
<b>External trade</b>				
Export volume	8.3	3.0	7.6	9.5
<i>Of which: non-oil sector</i>	8.4	1.8	7.2	9.5
Import volume	2.2	6.5	8.2	7.6
Terms of trade ("-" is a deterioration)	0.3	0.9	0.1	-3.3
<b>Money and credit</b>				
Net domestic assets <sup>1</sup>	4.6	10.1	7.5	7.9
Net credit to the public sector <sup>1</sup>	-2.3	-1.1	-1.0	-0.9
Credit to the private sector	2.6	14.9	11.1	11.2
Broad money (M2)	1.4	10.8	7.1	7.5
(Percent of GDP, unless otherwise indicated)				
<b>Central government operations</b>				
Total revenue (excluding grants)	17.5	17.8	18.0	17.7
Non-oil revenue (percent of non-oil GDP)	13.5	14.0	14.4	14.3
Total expenditure	19.5	22.1	24.0	23.9
Overall fiscal balance (cash basis)				
Excluding grants	-2.9	-4.4	-6.1	-6.2
Including grants	-2.5	-4.1	-5.6	-5.7
Non-oil primary balance (percent of non-oil GDP)	-6.9	-9.1	-10.3	-9.9
<b>External sector</b>				
Current account balance (including grants)	-3.6	-3.9	-3.8	-4.2
Imputed reserves (percent of broad money)	54.2	47.6	44.1	40.6
<b>Public debt</b>				
Total	15.6	19.5	24.0	28.0
External	9.0	12.5	14.7	16.4

<sup>1</sup> Percent of broad money at the beginning of the period.

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