INTERNATIONAL MONETARY FUND

CAMEROON

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

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

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

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

PUBLIC DEBT COVERAGE

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

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

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

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

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

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

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

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

(continued)

3. The contingent liability stress test accounts for the stock of SOE debt that is not included in the debt stock as well as risks from ongoing PPPs and financial markets. As discussed above, SOE debt is estimated at 8.5 percent of GDP for end-2018 and is reflected in the contingent liability stress test (Text Table 2). The value of PPPs is estimated at about 5.4 percent of GDP.[5] This has been incorporated in the contingent liability shock and raises it by 1.9 percent of GDP (corresponding to 35 percent of the total PPP stock). Contingent liabilities from financial markets are set at the minimum value of 5 percent of GDP, which represents the average cost to the government of a financial crisis in a LIC since 1980. Estimates for other elements not covered are currently not available.

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

1	**The country's coverage of public debt**	The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt			
		Default		**Used for the analysis**	**Reasons for deviations from the default settings**
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	8.5	Estimate of SOE debt not included in debt stock
4	PPP	35	percent of PPP stock	1.9	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)			15.4	

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

BACKGROUND

A. Debt[6]

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

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

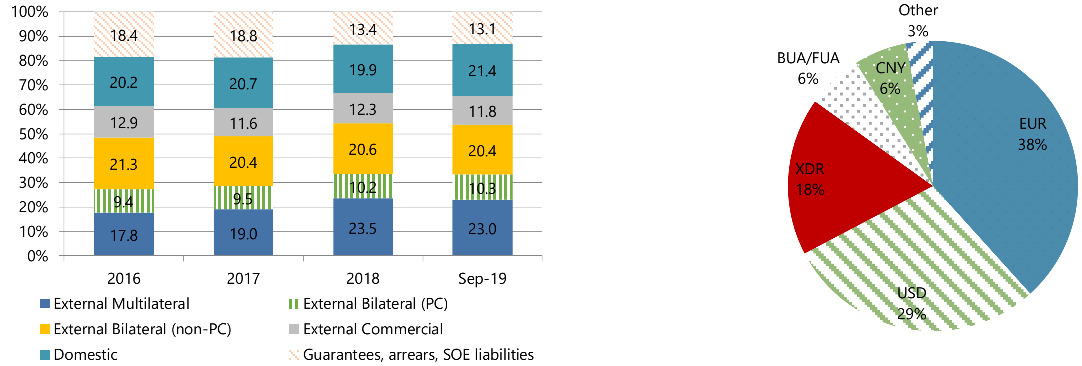
[5] This reflects information available as of November 2019 and includes sectors covered by the Support Council for the Realization of Partnership Contracts (CARPA) and the Nachtigal project. Additional PPPs might exist in other sectors.

[6] Numbers refer to end-August or end-September 2019 based on availability.

Text Figure 1. Cameroon: Composition of Public Debt

Debt by Creditor
(Share of total debt)

External Debt by Currency
(Share of total external debt as of August 2019)

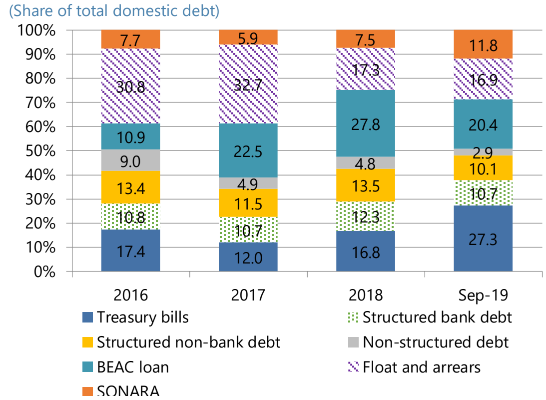


Sources: Cameroonian authorities; and IMF staff calculations.

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

Text Figure 2. Cameroon: Composition of Domestic Public Debt

Domestic Debt Composition
(Share of total domestic debt)



Sources: Cameroonian authorities; and IMF staff calculations.

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

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

Sources: Cameroonian authorities, and IMF staff calculations.

1/ Excludes budget support.

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

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

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

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

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

9. New external arrears were accumulated but have been cleared. In response to external arrears uncovered in the fourth review, the authorities aimed to strengthen monitoring of debt service and communication with creditors. They have also been using an escrow accounts to ensure interest payments on the Eurobond are paid in time and have started to examine options for its reimbursement. However, new external arrears arose in the fifth review related to unbudgeted debt service on a loan on-lent to SONARA prior to the fire that destroyed its production units. They were caused by liquidity pressures resulting from revenue shortfalls and delayed budget support but were repaid in full before end-November. The authorities have taken steps to improve liquidity management and forecasting going forward (MEFP ¶20) and are committed to timely servicing external loans, including those on-lent to public enterprises.

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

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

B. Macroeconomic Forecast

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

[8] SENDs were classified as problematic if they fulfilled at least one of six criteria: (i) the loan was signed before 2014, (ii) the loan's disbursement was zero one year after signing, (iii) the loan has not come into effect six months after signing, (iv) the deadline for the loan's disbursements has passed or has been extended at least once, (v) the deadline for the loan's disbursement is close (less than one year) and the share that is disbursed is below 50 percent, (vi) the project has not disbursed for more than one year. The latest update of the report estimated problematic SENDs at 2,808 billion CFAF at end-December 2018.

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

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

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

Sources: Cameroonian authorities; IMF staff calculations.
1/ The year of the DSA refers to the latest year with actual data. The updated DSA 2017 refers to the DSA prepared in September 2018, while DSA 2017 was prepared in June 2018.

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

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

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

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

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

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

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

(continued)

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

Box 1. Medium and Long-Term Macroeconomic Assumptions

Medium Term, 2019-2024

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

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

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

Long Term, 2025-2038

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

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

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

[11] See footnote 1 in IMF Country Report No. 19/247 for more detail.

C. Country Classification and Determination of Stress Test Scenarios

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

Text Table 5. Cameroon: Calculation of the CI Index

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

18. Stress tests follow standardized settings, with the addition of a market financing shock and a commodity price shock. The standardized stress tests apply the default settings, while the contingent liability stress test is based on the quantification of contingent liabilities discussed above. The tailored stress tests for Cameroon include a market financing shock and a commodity price shock due to an outstanding Eurobond and exports of fuel and other commodities making up more than 50 percent of total exports. For these shocks the standard scenario designs are applied.[12]

DEBT SUSTAINABILITY

A. External Debt Sustainability

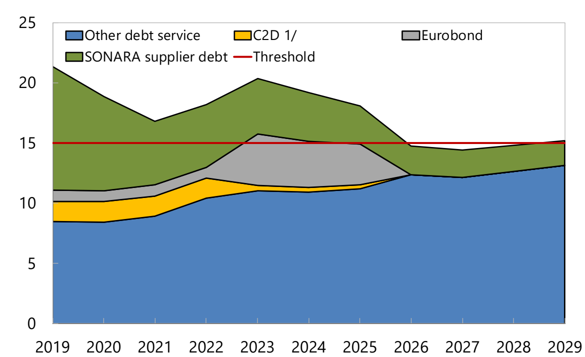
19. Cameroon remains at high risk of external debt distress, but debt remains sustainable (Table 1 and Figure 1). Public external debt is projected to peak in 2020 at 30.6 percent of GDP and to decline gradually thereafter. The present value of external debt-to-GDP and the present value of public-debt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

[12] See table 10 in the guidance note on the application of the debt sustainability framework for LICs for details.

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

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

Text Figure 3. Cameroon: External Debt-Service-to-Export Ratio



1/ C2D is an initiative of the French Development Agency (AFD), where debt repayments are returned to Cameroon in the form of grants for specific projects.

Sources: Cameroonian authorities; and IMF staff calculations.

B. Public Debt Sustainability

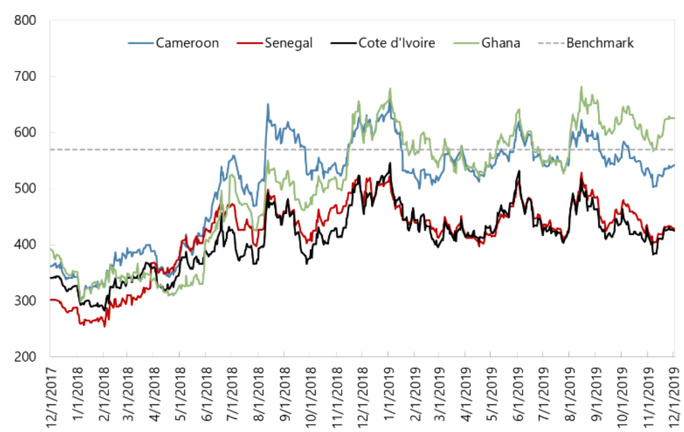
21. Public sector debt is projected to peak in 2020 and gradually decline and remain well below the benchmark (Table 2 and Figure 2). Public debt is projected to decline gradually after peaking in 2020 at 40.8 percent of GDP. The present value of debt-to-GDP also declines gradually and remains well below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

22. Under the stress scenarios, public sector debt remains well below the benchmark. The most extreme shock for all three indicators of public debt is that of combined contingent liabilities. However, even in this case the present value of debt-to-GDP remains substantially below the benchmark, peaking at 47 percent of GDP. The present value of debt-to-revenue jumps to 289 percent in 2020, while the debt service-to-revenue ratio peaks in 2021 at 84 percent. The historical scenario projects an explosive path for the present value of debt-to-revenue, which is mainly driven by large historical primary deficits compared to projections. As discussed above, baseline projections in this DSA are based on a somewhat more gradual adjustment towards the CEMAC convergence criteria.

C. Market Module

23. The market financing tool signals that risk related to market financing pressures are low (Figure 5). Cameroon remains below the benchmark for gross-financing needs and the benchmark on the EMBI spread. The latter has been fluctuating around the benchmark and recently decline to 542 as of December 2nd (see Text Figure 4). As no threshold is breached this signals low market financing risks.

Text Figure 4. Cameroon: EMBI spreads



Source: Thomson Reuters Datastream.

D. Risk Rating and Vulnerabilities

24. Cameroon remains at high overall risk of public debt distress, but debt remains sustainable. Thresholds are breached for the two external debt service indicators, highlighting the fragile liquidity situation. Yet, staff currently assesses debt as sustainable due to a range of factors. In particular, debt indicators remain on non-explosive paths and debt stock indicators remain well below their thresholds under the baseline. The debt-service-to-revenue ratio is on a clear downward trajectory and falls below the threshold from 2021 onwards, except for a one-year breach in 2023. The breach of the debt-service-to-exports ratio has become more sustained but remains largely due to the inclusion of SONARA's short-term supplier debt, which is backed by the imported oil it is used for, and is sensitive to rollover and reprofiling assumptions. Finally, while SONARA does have external arrears, the authorities have cleared all external sovereign arrears and the government has only guaranteed one of SONARA's loans (on which arrears have been cleared as well). These projections face major downside risks, including potential reconstruction costs and further deterioration of SONARA's losses that could add to debt accumulation. Other downside risks include realization of contingent liabilities from bank restructuring and from SOEs not included in the baseline of the DSA, and accelerations in disbursements due to the large stock of SENDs. On the upside, a successful reprofiling of SONARA's arrears of short-term debt over multiple years, in line with the authorities' current plan, could lower debt-service ratios.

25. Significant efforts are warranted to ensure debt remains on a downward trajectory and sustainability is preserved. Steadfast implementation of fiscal and structural reforms is crucial to mitigate risks. The weaknesses presented in the debt service indicator which is expressed as a proportion to exports points to the need for deep structural reforms to improve competitiveness and achieve economic diversification, while fiscal consolidation, revenue mobilization and a prudent borrowing policy, skewed towards concessional loans, remain essential to keep public debt dynamics on a sustainable path and rebuild buffers ahead of upcoming high debt repayments. The high debt service due to SONARA's supplier debt highlights the importance of fundamentally building its financial viability. In addition, the period of corporate restructuring and SONARA's interim operation as refined oil importer will need to be carefully monitored and managed to ensure fiscal costs remain manageable. Finally, sound management of the SENDs will be critical.

Authorities' Views

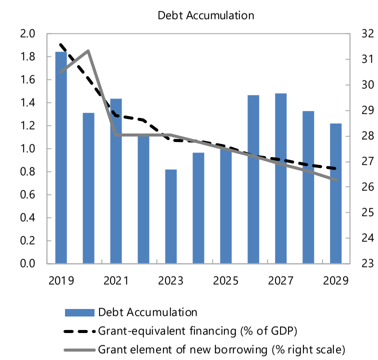
26. The authorities agreed with the need for prudent debt management and the need to expand and diversify the export base but noted that they project exports to be stronger in the medium- and long-run. They noted that the breaches in the debt service indicators were due to SONARA's supplier debt. They agreed with the need to prioritize concessional borrowing and limit non-concessional borrowing to critical projects (MEFP ¶22) and highlighted the significant envisaged shift towards concessional financing in their medium-term debt strategy 2020-2022. They also pointed out that existing SENDs are expected to decline significantly over the medium-term (MEFP ¶25) through planned disbursements and while remaining within the budget envelope. The authorities also agreed to strengthen monitoring and management of SOEs and indicated that the CNDP would continue to systematically review all loan and PPP project proposals (MEFP ¶26, ¶27). The authorities also pointed out that short-term measures are being implemented to ensure SONARA's financial viability and that a comprehensive cost benefit analysis will be conducted to evaluate corporate restructuring options for the medium-term (MEFP ¶28,29).

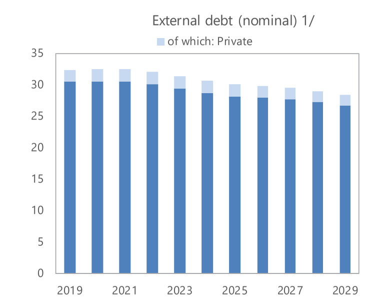
Table 1. Cameroon: External Debt Sustainability Framework, Baseline Scenario, 2016–2039

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
External debt (nominal) 1/	25.4	27.7	30.5	32.4	32.5	32.4	32.1	31.3	30.6	28.4	19.9	18.0	30.7
of which: public and publicly guaranteed (PPG)	22.3	25.1	28.6	30.5	30.6	30.5	30.1	29.4	28.7	26.8	18.9	15.9	28.9
Change in external debt	1.3	2.3	2.8	1.9	0.1	-0.1	-0.4	-0.7	-0.7	-0.6	-0.9		
Identified net debt-creating flows	0.8	-1.3	-0.7	0.7	0.4	0.1	-0.1	-0.2	-0.4	-1.6	-1.3	0.7	-0.5
Non-interest current account deficit	2.1	1.9	2.5	2.8	2.6	2.4	2.4	2.4	2.3	0.5	-2.1	2.9	1.9
Deficit in balance of goods and services	2.5	2.0	2.9	2.9	3.1	3.1	3.2	3.2	3.2	1.2	-2.0	2.9	2.6
Exports	19.2	18.7	18.9	18.8	18.1	17.2	16.4	15.8	15.2	13.6	12.3		
Imports	21.7	20.6	21.8	21.7	21.2	20.4	19.6	19.0	18.4	14.8	10.3		
Net current transfers (negative = inflow)	-1.1	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.1	-1.1	-1.0	-0.8	-1.0	-1.1
of which: official	-0.2	-0.2	-0.2	-0.4	-0.4	-0.4	-0.4	-0.3	-0.2	-0.2	-0.1		
Other current account flows (negative = net inflow)	0.7	1.1	0.8	1.1	0.7	0.5	0.4	0.2	0.2	0.3	0.7	0.9	0.4
Net FDI (negative = inflow)	-1.1	-2.3	-1.7	-1.8	-2.1	-2.1	-2.1	-2.2	-2.1	-1.4	1.4	-2.0	-1.9
Endogenous debt dynamics 2/	-0.2	-1.0	-1.5	-0.3	-0.1	-0.3	-0.3	-0.4	-0.6	-0.7	-0.6		
Contribution from nominal interest rate	1.0	0.8	1.1	0.9	1.0	1.0	1.0	0.9	0.9	0.7	0.5		
Contribution from real GDP growth	-1.1	-0.8	-1.0	-1.2	-1.2	-1.2	-1.3	-1.4	-1.4	-1.5	-1.1		
Contribution from price and exchange rate changes	-0.2	-0.9	-1.6	...	...	...	...	...	...	...	...		
Residual 3/	0.6	3.6	3.6	1.2	-0.2	-0.2	-0.3	-0.5	-0.3	1.0	0.4	1.3	0.3
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	21.9	23.6	23.6	23.5	23.1	22.4	21.7	20.7	15.3		
PV of PPG external debt-to-exports ratio	...	...	115.4	125.5	130.2	136.3	140.5	142.1	143.2	151.7	124.3		
PPG debt service-to-exports ratio	12.1	14.1	17.3	21.4	18.9	16.8	18.2	20.3	19.2	15.2	13.9		
PPG debt service-to-revenue ratio	14.0	15.6	18.5	23.8	21.4	17.6	17.9	18.6	17.0	12.2	10.8		
Gross external financing need (Billion of U.S. dollars)	1.8	1.5	2.6	2.9	2.4	2.0	2.1	2.3	2.2	1.4	2.1		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.6	3.5	4.1	3.9	3.8	4.1	4.2	4.5	5.0	5.5	5.8	4.3	4.7
GDP deflator in US dollar terms (change in percent)	0.8	3.6	6.3	-3.3	1.6	2.5	2.3	2.1	2.3	1.8	1.9	-0.2	1.5
Effective interest rate (percent) 4/	4.5	3.2	4.5	2.9	3.4	3.2	3.3	3.0	3.0	2.7	2.8	3.4	3.0
Growth of exports of G&S (US dollar terms, in percent)	-7.1	4.4	12.3	-0.3	1.7	1.3	1.6	2.5	3.5	5.5	6.5	1.4	3.2
Growth of imports of G&S (US dollar terms, in percent)	-9.1	2.0	16.9	-0.1	3.1	2.3	2.8	3.3	3.9	2.9	4.5	1.7	2.6
Grant element of new public sector borrowing (in percent)	...	...	...	30.5	31.3	28.0	28.0	28.0	27.8	26.3	22.6	...	28.0
Government revenues (excluding grants, in percent of GDP)	16.6	16.9	17.7	16.9	16.0	16.4	16.7	17.2	17.1	17.0	15.8	16.7	16.9
Aid flows (in Billion of US dollars) 5/	1801.7	1981.3	2268.7	0.9	0.8	0.6	0.7	0.6	0.7	0.6	0.6		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.9	1.6	1.3	1.2	1.1	1.1	0.8	0.5	...	1.2
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	36.3	38.3	36.4	36.3	32.2	31.7	29.6	28.2	...	32.9
Nominal GDP (Billion of US dollars)	33	35	39	39	41	44	47	50	53	76	157		
Nominal dollar GDP growth	5.5	7.2	10.6	0.5	5.5	6.6	6.7	6.7	7.4	7.3	7.8	4.1	6.3
Memorandum items:													
PV of external debt 7/	...	...	23.7	25.5	25.6	25.4	25.0	24.3	23.7	22.3	16.2		
In percent of exports	...	...	125.2	135.7	141.0	147.6	152.4	154.4	156.0	163.3	132.0		
Total external debt service-to-exports ratio	18.3	18.2	23.0	25.2	22.2	19.4	21.0	23.3	22.2	18.1	15.9		
PV of PPG external debt (in Billion of US dollars)			8.5	9.2	9.7	10.3	10.8	11.1	11.6	15.6	24.0		
(PVt-PVt-1)/GDPt-1 (in percent)				1.8	1.3	1.4	1.1	0.8	1.0	1.2	0.5		
Non-interest current account deficit that stabilizes debt ratio	0.8	-0.4	-0.3	0.9	2.4	2.5	2.7	3.1	3.0	1.1	-1.2		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

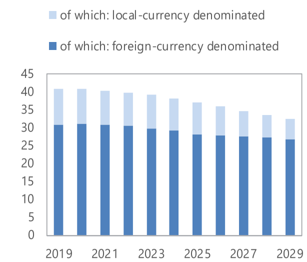
Table 2. Cameroon: Public Sector Debt Sustainability Framework, Baseline Scenario, 2016-2039

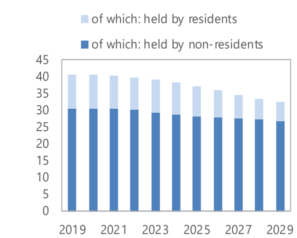
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
Public sector debt 1/	33.3	37.7	39.5	40.8	40.8	40.4	39.8	39.1	38.2	32.6	27.8	24.0	37.5
of which: external debt	22.3	25.1	28.6	30.5	30.6	30.5	30.1	29.4	28.7	26.8	18.9	15.9	28.9
Change in public sector debt	1.3	4.4	1.8	1.3	0.0	-0.4	-0.6	-0.7	-0.9	-1.0	-0.3		
Identified debt-creating flows	4.9	0.9	-0.2	0.3	0.2	-0.3	-0.5	-0.6	-0.8	-1.1	-0.4	1.9	-0.7
Primary deficit	5.3	4.2	1.5	1.4	1.4	1.0	0.8	0.8	0.8	0.5	0.9	2.7	0.8
Revenue and grants	16.9	17.2	18.1	17.3	16.4	16.8	17.1	17.4	17.3	17.1	16.0	17.1	17.2
of which: grants	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.2	0.2	0.1	0.1		
Primary (noninterest) expenditure	22.2	21.3	19.6	18.7	17.8	17.8	17.9	18.2	18.1	17.6	16.9	19.7	17.9
Automatic debt dynamics	-0.4	-3.3	-0.4	-1.3	-1.2	-1.3	-1.3	-1.4	-1.6	-1.6	-1.3		
Contribution from interest rate/growth differential	-1.1	-1.0	-1.5	-1.3	-1.2	-1.3	-1.3	-1.4	-1.6	-1.6	-1.3		
of which: contribution from average real interest rate	0.4	0.2	-0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.2	0.3		
of which: contribution from real GDP growth	-1.4	-1.1	-1.5	-1.5	-1.5	-1.6	-1.6	-1.7	-1.9	-1.7	-1.5		
Contribution from real exchange rate depreciation	0.6	-2.3	1.2	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	-1.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	-1.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	-3.7	3.6	2.0	1.0	-0.2	-0.1	-0.1	0.0	-0.1	0.1	0.0	0.9	0.1
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	33.5	34.0	33.7	33.3	32.7	32.1	31.2	26.4	24.1		
PV of public debt-to-revenue and grants ratio	...	...	185.3	196.2	205.8	197.6	191.2	184.0	180.4	154.3	150.8		
Debt service-to-revenue and grants ratio 3/	13.8	15.3	18.1	48.7	46.9	44.7	44.9	46.7	47.5	29.3	31.9		
Gross financing need 4/	8.7	8.0	5.0	10.1	9.1	8.5	8.4	9.0	9.0	5.5	6.0		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.6	3.5	4.1	3.9	3.8	4.1	4.2	4.5	5.0	5.5	5.8	4.3	4.7
Average nominal interest rate on external debt (in percent)	3.5	3.4	3.0	2.2	2.6	2.5	2.5	2.2	2.1	2.0	2.2	2.9	2.2
Average real interest rate on domestic debt (in percent)	-1.1	-1.5	-1.6	0.8	1.7	2.3	2.3	2.5	2.6	3.1	3.3	-1.7	2.4
Real exchange rate depreciation (in percent, + indicates depreciation)	3.1	-10.6	4.8	...	...	...	...	...	...	...	...	1.8	...
Inflation rate (GDP deflator, in percent)	1.1	1.5	1.6	1.7	1.9	1.5	1.6	1.5	1.6	1.8	1.9	1.7	1.7
Growth of real primary spending (deflated by GDP deflator, in percent)	-0.2	-0.5	-4.2	-1.1	-1.3	4.2	4.5	6.9	4.1	5.0	4.2	6.8	3.7
Primary deficit that stabilizes the debt-to-GDP ratio 5/	4.1	-0.3	-0.3	0.1	1.4	1.4	1.4	1.5	1.7	1.5	1.2	1.2	1.4
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

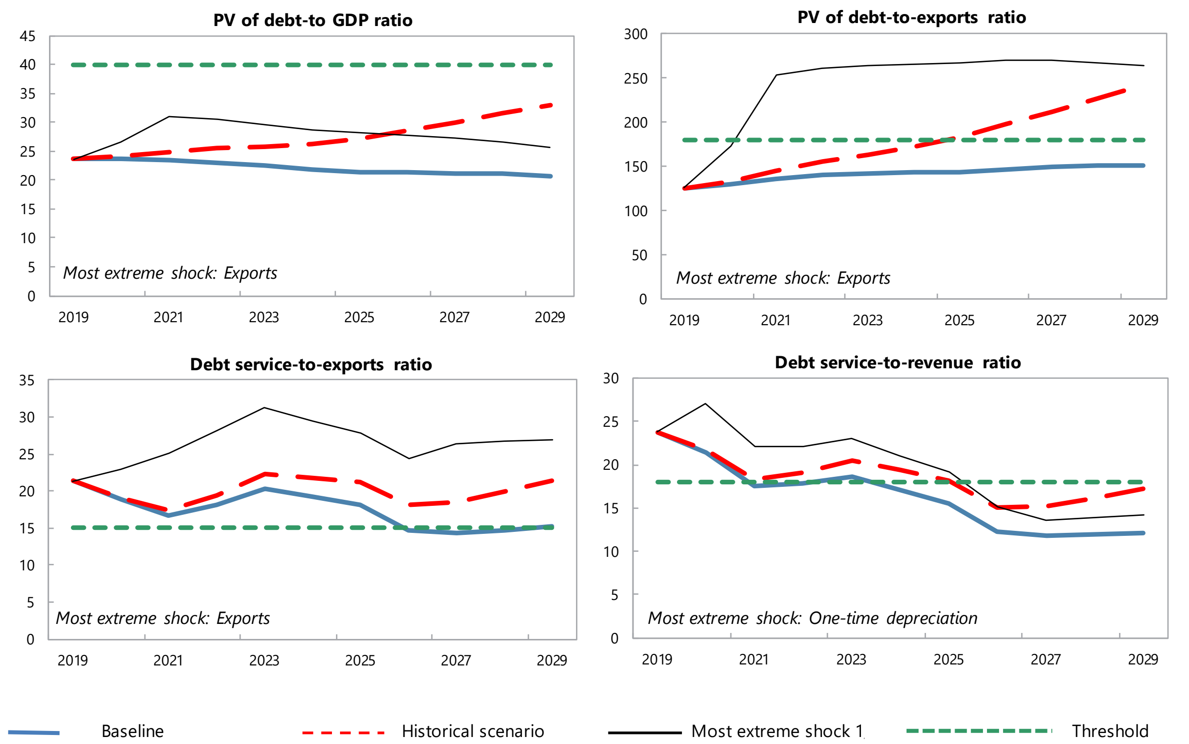
Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.
1/ Coverage of debt: The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt . Definition of external debt is Residency-based.
2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.
4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.
5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.
6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

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



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

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

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.1%	2.1%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	20	20
Avg. grace period	5	5

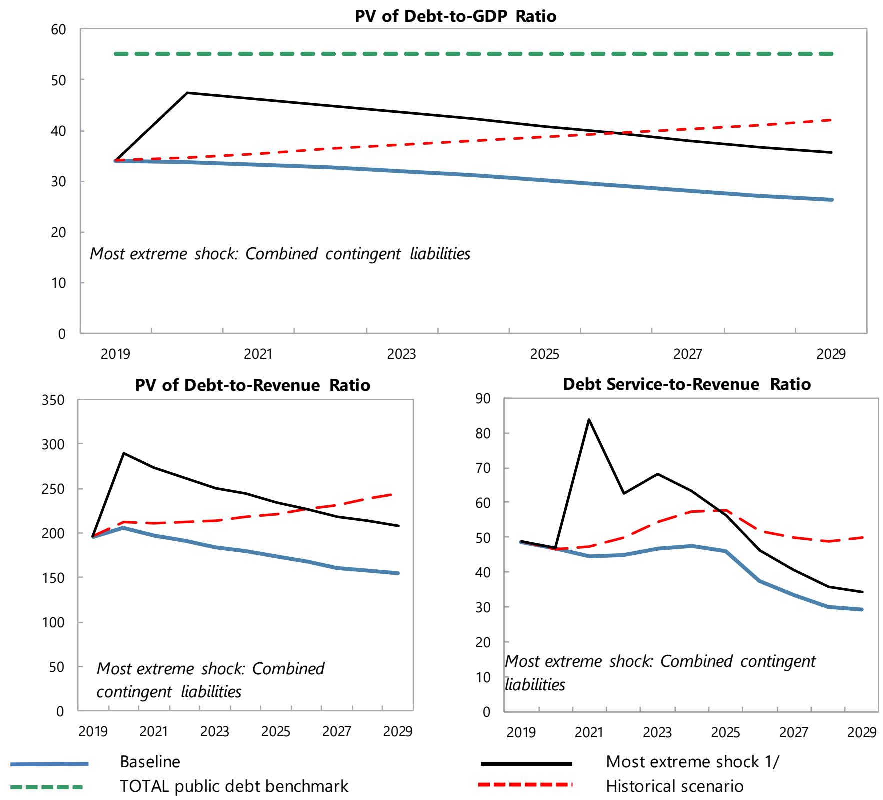
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Figure 2. Cameroon: Indicators of Public Debt Under Alternative Scenarios, 2019-2029



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

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of debt-to GDP ratio											
Baseline	24	24	23	23	22	22	21	21	21	21	21
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	24	24	25	25	26	26	27	28	30	31	33
B. Bound Tests											
B1. Real GDP growth	24	24	24	24	23	23	22	22	22	22	21
B2. Primary balance	24	25	27	27	27	26	26	26	26	25	25
B3. Exports	24	27	31	30	30	29	28	28	27	26	26
B4. Other flows 3/	24	24	25	25	24	23	23	22	22	22	22
B5. Depreciation	24	30	27	26	26	25	24	24	24	24	24
B6. Combination of B1-B5	24	27	26	26	25	24	24	24	23	23	23
C. Tailored Tests											
C1. Combined contingent liabilities	24	28	30	30	30	30	30	30	30	30	29
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	24	24	25	25	24	24	23	23	23	22	22
C4. Market Financing	24	26	26	26	25	25	24	24	24	23	23
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	125	130	136	141	142	143	144	147	150	151	152
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	125	133	145	155	164	173	**183**	**197**	**212**	**227**	**241**
B. Bound Tests											
B1. Real GDP growth	125	130	136	141	142	143	144	147	150	151	152
B2. Primary balance	125	135	157	165	169	173	175	179	**181**	**182**	**182**
B3. Exports	125	173	**253**	**260**	**264**	**266**	**267**	**270**	**270**	**268**	**264**
B4. Other flows 3/	125	134	145	149	151	152	153	156	158	159	158
B5. Depreciation	125	130	124	127	129	130	131	134	138	140	141
B6. Combination of B1-B5	125	154	143	177	179	**180**	**182**	**184**	**187**	**188**	**188**
C. Tailored Tests											
C1. Combined contingent liabilities	125	156	174	**184**	**193**	**199**	**203**	**208**	**212**	**214**	**214**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	125	140	151	156	158	158	158	160	162	163	162
C4. Market Financing	125	131	138	143	144	145	145	147	150	151	152
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	**21**	**19**	**17**	**18**	**20**	**19**	**18**	15	14	15	**15**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**21**	**19**	**17**	**19**	**22**	**22**	**21**	**18**	**19**	**20**	**21**
B. Bound Tests											
B1. Real GDP growth	**21**	**19**	**17**	**18**	**20**	**19**	**18**	15	14	15	**15**
B2. Primary balance	**21**	**19**	**17**	**19**	**22**	**20**	**19**	**16**	**17**	**17**	**18**
B3. Exports	**21**	**23**	**25**	**28**	**31**	**30**	**28**	**24**	**26**	**27**	**27**
B4. Other flows 3/	**21**	**19**	**17**	**18**	**21**	**19**	**18**	**15**	**15**	**16**	**16**
B5. Depreciation	**21**	**19**	**17**	**18**	**20**	**19**	**18**	14	13	14	14
B6. Combination of B1-B5	**21**	**21**	**21**	**22**	**25**	**23**	**22**	**19**	**18**	**19**	**19**
C. Tailored Tests											
C1. Combined contingent liabilities	**21**	**19**	**18**	**19**	**22**	**20**	**19**	**16**	**16**	**16**	**17**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**21**	**20**	**18**	**20**	**22**	**21**	**19**	**16**	**16**	**16**	**17**
C4. Market Financing	**21**	**19**	**17**	**18**	**21**	**21**	**21**	**17**	**15**	14	14
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	**24**	**21**	18	18	**19**	17	15	12	12	12	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**24**	**22**	**18**	**19**	**20**	**19**	**18**	15	15	16	17
B. Bound Tests											
B1. Real GDP growth	**24**	**22**	**18**	**19**	**19**	18	16	13	12	12	13
B2. Primary balance	**24**	**21**	**18**	**19**	**20**	**18**	17	14	14	14	14
B3. Exports	**24**	**22**	**19**	**20**	**20**	**19**	17	15	15	15	15
B4. Other flows 3/	**24**	**21**	18	**18**	**19**	17	16	13	13	13	13
B5. Depreciation	**24**	**27**	**22**	**22**	**23**	**21**	**19**	15	14	14	14
B6. Combination of B1-B5	**24**	**23**	**19**	**19**	**20**	**18**	17	14	13	13	14
C. Tailored Tests											
C1. Combined contingent liabilities	**24**	**21**	**18**	**19**	**20**	**18**	17	14	13	13	13
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**24**	**24**	**20**	**21**	**21**	**19**	17	13	13	13	13
C4. Market Financing	**24**	**21**	18	**18**	**19**	**18**	18	14	12	11	12
Threshold	18	18	18	18	18	18	18	18	18	18	18

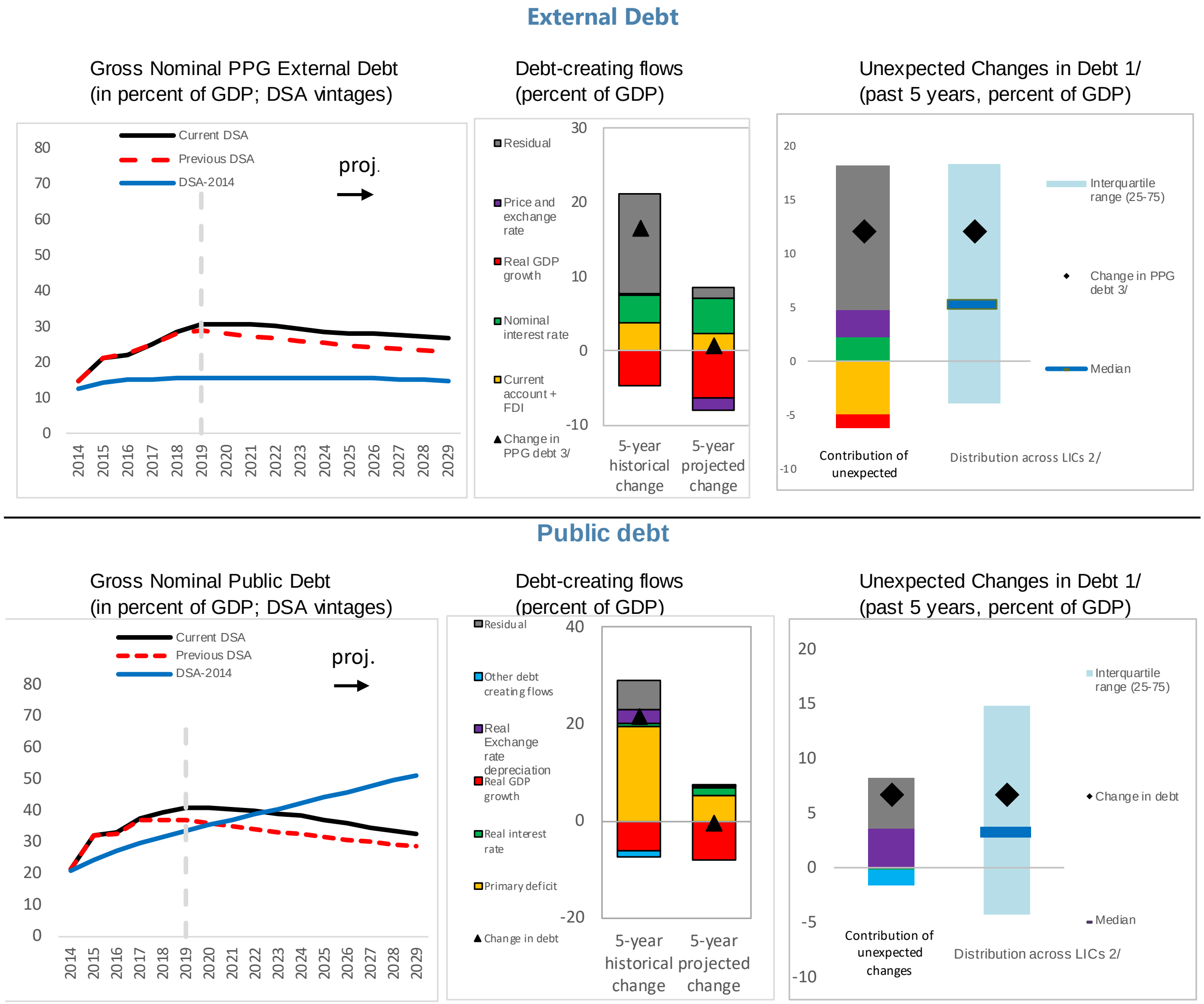
Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private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

Table 4. Cameroon: Sensitivity Analysis for Key Indicators of Public Debt, 2019–2029

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of Debt-to-GDP Ratio											
Baseline	34	34	33	33	32	31	30	29	28	27	26
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	34	35	36	36	37	38	39	39	40	41	42
B. Bound Tests											
B1. Real GDP growth	34	35	35	35	35	35	34	33	33	32	32
B2. Primary balance	34	36	40	39	38	37	36	35	33	32	31
B3. Exports	34	36	40	39	38	37	36	35	33	32	30
B4. Other flows 3/	34	34	35	34	33	33	32	30	29	28	27
B5. Depreciation	34	39	37	35	33	30	28	26	24	22	20
B6. Combination of B1-B5	34	34	36	35	34	32	31	29	28	27	26
C. Tailored Tests											
C1. Combined contingent liabilities	34	47	46	45	44	42	41	39	38	37	36
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	34	36	38	39	40	40	40	39	38	37	36
C4. Market Financing	34	34	34	33	32	32	30	29	28	27	26
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	196	206	198	191	184	180	173	168	161	158	154
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	196	212	211	213	213	219	222	227	232	239	245
B. Bound Tests											
B1. Real GDP growth	196	211	209	205	201	200	195	191	187	186	184
B2. Primary balance	196	223	239	230	220	215	207	200	192	188	183
B3. Exports	196	220	235	227	218	214	206	198	189	183	177
B4. Other flows 3/	196	210	206	200	192	188	181	175	168	164	160
B5. Depreciation	196	239	220	204	187	176	161	149	137	128	119
B6. Combination of B1-B5	196	208	216	205	194	187	177	169	160	155	149
C. Tailored Tests											
C1. Combined contingent liabilities	196	289	273	263	251	244	234	227	219	214	209
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	196	244	248	254	248	245	234	224	218	216	213
C4. Market Financing	196	206	199	193	186	182	174	168	161	158	154
Debt Service-to-Revenue Ratio											
Baseline	49	47	45	45	47	47	46	38	33	30	29
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	49	47	47	50	55	57	58	52	50	49	50
B. Bound Tests											
B1. Real GDP growth	49	48	47	48	51	53	52	43	39	36	36
B2. Primary balance	49	47	53	58	56	57	53	43	39	36	35
B3. Exports	49	47	45	46	48	48	47	39	36	33	32
B4. Other flows 3/	49	47	45	45	47	48	46	38	34	31	30
B5. Depreciation	49	47	48	48	50	50	48	39	35	32	31
B6. Combination of B1-B5	49	45	44	56	54	54	51	41	36	32	31
C. Tailored Tests											
C1. Combined contingent liabilities	49	47	84	63	68	63	56	46	41	36	34
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	49	53	56	60	64	65	62	51	46	42	41
C4. Market Financing	49	47	45	45	47	49	48	40	34	29	29

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

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



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

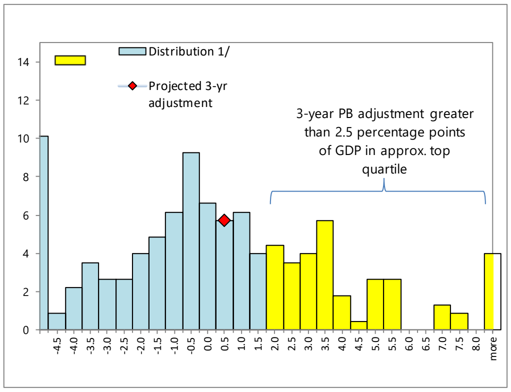
2/ Distribution across LICs for which LIC DSAs were produced.

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

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

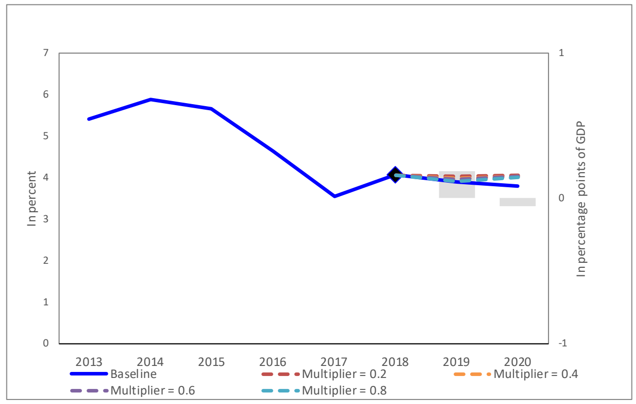
Figure 4. Cameroon: Realism Tools

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



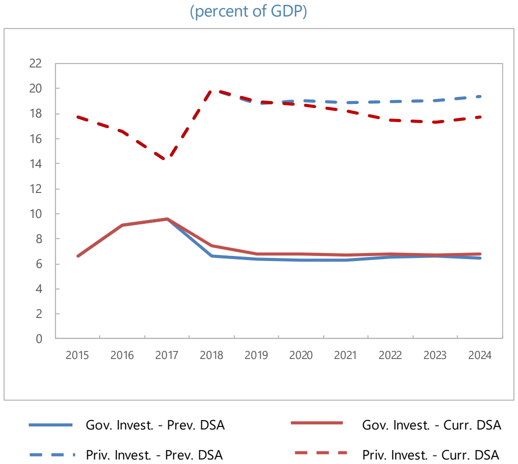
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

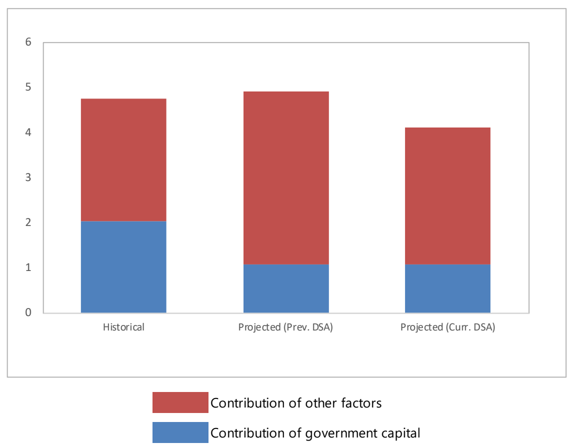


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



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

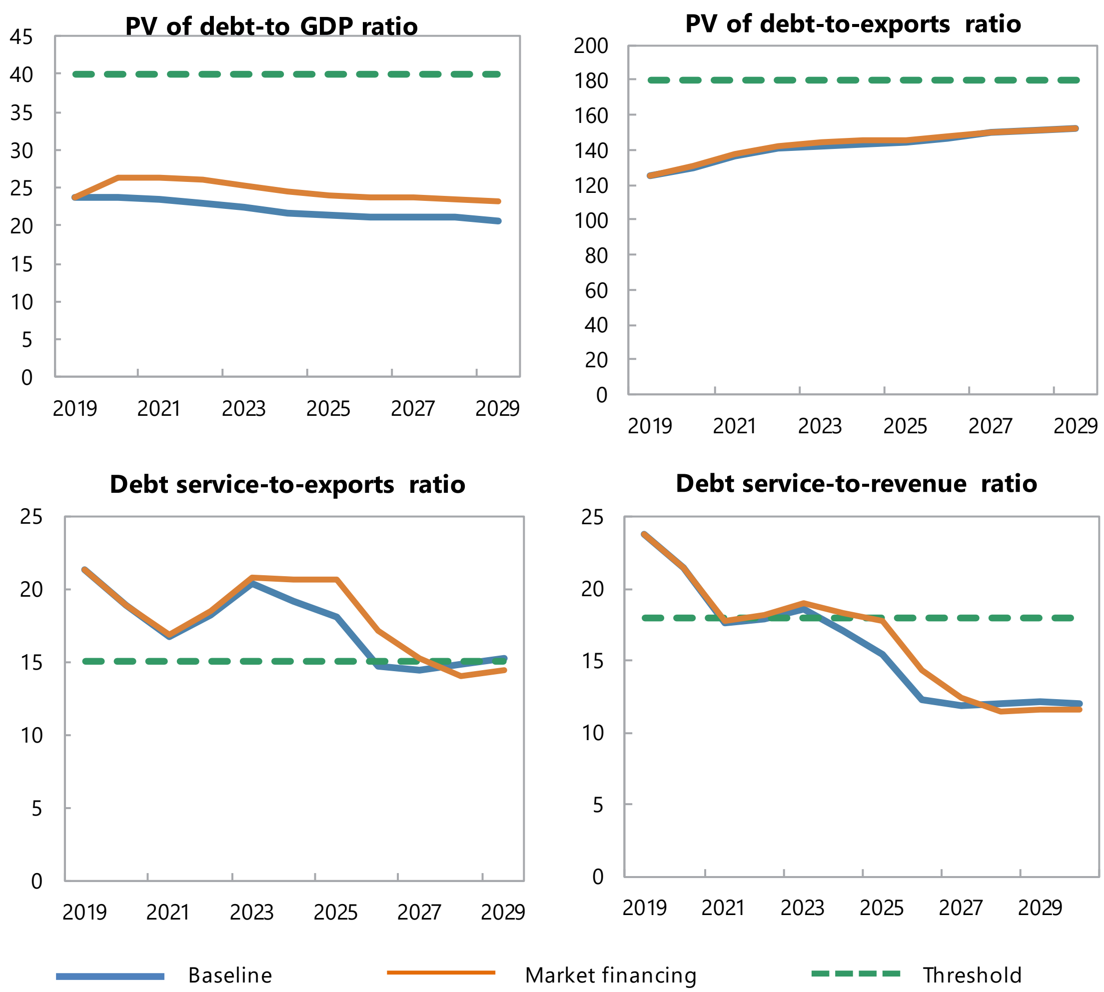


Sources: Cameroonian authorities; and IMF staff estimates and projections.

Figure 5. Cameroon: Market-Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	10	542
Breach of benchmark	No	No
Potential heightened liquidity needs	Low	

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



Sources: Country authorities; and staff estimates and projections.