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REQUESTS FOR THREE-YEAR ARRANGEMENTS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY—PRESS RELEASE; STAFF REPORT; STAFF STATEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CAMEROON

In the context of the Requests for Three-Year Arrangements Under the Extended Credit Facility and the Extended Fund Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 29, 2021, following discussions that ended on May 27, 2021 with the officials of Cameroon on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on July 16, 2021
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Staff Statement** updating information on recent developments.
- A **Statement by the Executive Director** for Cameroon.

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

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PRESS RELEASE

PR21/237

IMF Executive Board Approves US$ 689.5 Million Arrangements Under the Extended Credit Facility and Extended Fund Facility for Cameroon

FOR IMMEDIATE RELEASE

- Cameroon's ECF/EFF-supported program aims to support the authorities' efforts to achieve a rapid post-COVID-19 recovery, restore the country's fiscal and external sustainability and unlock inclusive and private sector-driven growth.

- Urgently addressing financial and fiscal risks associated with SOEs remains a high priority and efforts to strengthen public debt management and limit non-concessional borrowing remain critical.

- Steadfast commitment to strengthen transparency and good governance and reduce corruption risks will be crucial.

Washington, DC – July 29, 2021: On July 29, the Executive Board of the International Monetary Fund (IMF) approved three-year arrangements under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) for Cameroon for SDR 483 million (about US$ 689.5 million, or 175 percent of Cameroon's quota) to support the country's economic and financial reform program.

Approval of the ECF/EFF enables immediate disbursement of about US$ 177.2 million, usable for budget support. This follows Fund emergency support to Cameroon under the Rapid Credit Facility (RCF) totaling SDR 276 million, about US$ 382 million or 100 percent of Cameroon's quota (see IMF Press Release No. 20/205 and IMF Press Release No. 20/318).

Cameroon faces significant development challenges heightened by the pandemic. An upsurge in COVID-19 cases since January 2021, has raised concerns about growth prospects and the external and fiscal positions. Additionally, security risks in parts of the country persist. The pandemic could reverse improvements in poverty reduction and development outcomes and jeopardize the implementation of reforms.

While economic activity decelerated markedly in 2020, the slowdown was less than anticipated, reflecting strong performance in the agricultural and construction sectors. The current account deficit narrowed to 3.7 percent of GDP, owing to both lower imports and higher than expected non-oil exports. Inflation remained below 3.0 percent. In addition, the authorities' proactive management of the COVID-19 pandemic helped contain the fiscal deficit to 3.6 percent of GDP.

The near-term outlook remains highly uncertain and critically depends on the authorities implementing policy commitments under the program. A gradual recovery could increase GDP growth to 3.6 percent in 2021 and 4.6 percent in 2022. Total public and external debt to GDP are projected to gradually decline after 2021. Medium-term growth prospects remain positive, driven by the implementation of National Development Strategy for 2020-30 (SND30), large infrastructure projects, and a recovery in trading partner economies.

At the conclusion of the Executive Board's discussion, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, stated:

"The COVID-19 pandemic has heightened Cameroon's development challenges and has raised concerns about its growth prospects and external and fiscal positions. In this context, financing under the ECF and EFF arrangements would support the authorities' efforts to achieve a rapid post-pandemic recovery, strengthen medium-term external and fiscal sustainability, and implement their structural reform agenda toward sustained, more inclusive, and diversified growth. Effective and resolute implementation of the authorities' reforms, particularly to further strengthen transparency, good governance, and the anti-corruption framework, are essential to help catalyze additional donor financing.

"The five pillars of the new program will seek to (i) mitigate the health, economic, and social consequences of the pandemic while ensuring domestic and external sustainability; (ii) reinforce good governance and strengthen transparency and the anti-corruption framework; (iii) accelerate structural fiscal reforms to modernize tax and customs administrations, mobilize revenue, improve public financial management, increase public investment efficiency, and reduce fiscal risks from state-owned enterprises; (iv) strengthen debt management and reduce debt vulnerabilities; and (v) implement structural reforms to accelerate economic diversification, boost financial sector resilience and inclusion, and promote gender equality and a greener economy.

"The authorities have appropriately adopted a revised budget, with a larger deficit to accommodate the impact of the pandemic. They have reiterated their firm commitment to gradually return to the fiscal consolidation path to safeguard debt sustainability once the pandemic abates. The success of Cameroon's program will also depend on the implementation of supportive policies and reforms by the CEMAC regional institutions."

Cameroon: Selected Economic and Financial Indicators, 2019–26

	2019	2020	2021	2022	2023	2024	2025	2026
		Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)							
National account and prices								
GDP at constant prices	3,7	-1,5	3,6	4,6	4,9	5,3	5,4	5,6
Oil GDP at constant prices	8,5	2,6	0,1	0,1	0,1	0,1	0,3	0,5
Non-Oil GDP at constant prices	3,5	-1,8	3,8	4,8	5,2	5,5	5,6	5,8
GDP deflator	2,5	2,0	2,0	1,9	2,0	1,8	2,1	2,0
Nominal GDP (at market prices, CFAF billions)	22.855	22.955	24.265	25.865	27.687	29.670	31.922	34.359
Oil	935	663	947	887	888	889	892	897
Non-Oil	21.920	22.292	23.318	24.977	26.798	28.780	31.030	33.462
Consumer prices (average)	2,5	2,4	2,3	2,1	2,0	2,0	2,0	2,0
Consumer prices (eop)	2,4	2,1	2,1	2,0	2,0	2,0	2,0	2,0
Money and credit								
Broad money (M2)	6,5	12,1	8,4	8,2	8,3	9,0	9,5	7,6
Net foreign assets 1/	5,7	-0,2	2,6	2,8	2,7	4,3	5,0	6,7
Net domestic assets 1/	0,8	12,4	5,8	5,5	5,6	4,8	4,5	1,0
Domestic credit to the private sector	1,4	1,1	3,3	4,9	6,2	7,4	7,5	7,7
	(Percent of GDP, unless otherwise indicated)							
Savings and investments								
Gross national savings	26,1	22,9	24,9	27,1	28,6	30,1	31,7	33,4
Gross domestic investment	30,4	26,6	28,9	30,7	32,0	33,2	34,6	35,9
Public investment	7,0	5,1	5,6	6,1	6,3	6,6	6,8	7,4
Private investment	23,4	21,5	23,3	24,5	25,6	26,7	27,8	28,5
Central government operations								
Total revenue (including grants)	15,7	13,7	14,6	15,5	15,8	16,4	16,9	17,5
Oil revenue	2,6	1,9	2,2	2,1	1,9	1,7	1,6	1,4
Non-oil revenue	12,5	11,7	12,1	13,0	13,6	14,3	15,0	15,8
Non-oil revenue (percent of non-oil GDP)	13,1	12,0	12,6	13,4	14,0	14,7	15,4	16,2
Total expenditure	19,0	17,0	17,9	18,0	17,7	18,0	17,9	18,6
Overall fiscal balance (payment order basis)								
Excluding grants	-3,9	-3,4	-3,7	-2,9	-2,2	-2,0	-1,3	-1,4
Including grants	-3,3	-3,3	-3,4	-2,5	-1,8	-1,6	-0,9	-1,1
Overall fiscal balance (cash basis)								
Excluding grants	-3,4	-3,8	-4,1	-3,4	-2,7	-2,3	-1,3	-1,4
Including grants	-2,9	-3,6	-3,8	-3,0	-2,3	-1,9	-1,0	-1,1
Non-oil primary balance (payment basis, percent of non-oil GDP)	-5,0	-4,4	-4,6	-3,9	-3,1	-2,7	-1,8	-1,9
External sector								
Trade balance	-1,9	-1,6	-2,2	-2,5	-2,4	-2,3	-2,1	-1,8
Oil exports	5,7	3,6	5,1	4,6	4,2	4,0	3,8	3,7
Non-oil rxports	8,5	8,0	8,1	8,2	8,3	8,4	8,6	8,7
Imports	16,1	13,1	15,3	15,3	14,9	14,7	14,5	14,2
Current account balance								
Excluding official grants	-4,7	-4,0	-4,4	-4,0	-3,7	-3,5	-3,1	-2,8
Including official grants	-4,3	-3,7	-4,0	-3,5	-3,4	-3,2	-2,8	-2,5
Terms of trade	23,1	-5,6	-0,6	-6,0	-3,6	-2,9	-3,2	-3,3
Public debt								
Stock of public debt	42,3	45,8	46,2	45,6	44,4	43,1	41,0	39,2
Of which: external debt	29,9	31,1	32,3	31,8	31,3	30,6	29,9	29,3

Sources: Cameroonian authorities; and IMF staff estimates and projections using updated nominal GDP.
1/ Percent of broad money at the beginning of the period.

CAMEROON

July 16, 2021

REQUESTS FOR THREE-YEAR ARRANGEMENTS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY

Context. Cameroon, the largest economy in the Central African Economic and Monetary Union (CEMAC), continues to face the repercussions of the COVID-19 pandemic. Since the onset of the pandemic, the IMF's Executive Board has approved two disbursements under the Rapid Credit Facility (RCF) totaling SDR 276 million, about US$ 382 million or 100 percent of Cameroon's quota. Cameroon's last arrangement under the Extended Credit Facility (ECF) ended in September 2020, without completion of the sixth and final review. The authorities have requested new arrangements from the IMF to help maintain external sustainability, implement their ambitious reform agenda—laid out in the National Development Strategy for 2020-30 (SND30)—and catalyze financial support from other donors.

Program objectives and modalities. Staff proposes new three-year arrangements under the ECF and the EFF of a combined SDR 483 million (175 percent of quota) or 58.3 percent (SDR 161 million) and 116.7 percent of quota (SDR 322 million) respectively, with semi-annual reviews. The arrangements will help address protracted balance of payments needs and support the reform agenda. Estimates suggest a financing gap of about US$1.9 billion or 4.2 percent of 2021 GDP over 2021-2024, of which 37 percent could be financed by the proposed arrangements. This gap (before budget support and IMF financing) will gradually decline from US$0.8 billion (1.8 percent of GDP) in 2021 to US$0.2 billion (0.3 percent of GDP) in 2024. While Cameroon's risk of debt distress is high, its debt remains sustainable and capacity to repay the Fund is adequate.

Program policies. The program will focus on i) mitigating the health, economic, and social consequences of the COVID-19 pandemic, ii) reinforcing good governance and strengthen transparency and anti-corruption, iii) accelerating structural fiscal reforms, iv) strengthening debt management and reducing debt vulnerabilities, and v) implementing structural reforms to improve the business environment and accelerate private-sector led economic diversification and boost financial sector resilience. Cameroon is a large recipient of IMF capacity development (CD) and will continue to be supported by extensive IMF technical assistance.

Staff views. Staff supports the authorities' request for the ECF and EFF arrangements. The Letter of Intent and Memorandum of Economic and Financial Policies demonstrate program ownership and reflect appropriate policies the authorities intend to undertake to pursue program objectives, as well as needed safeguards. Considering the highly uncertain global environment, post-pandemic recovery, and substantial risks that could lower growth and widen financing gaps, contingency plans have been discussed with the authorities.

Approved By
Arora, Vivek B. (AFR) and Geremia Palomba (SPR)

An IMF team compromising Mr. Sy (Head), Mr. Benlamine, Ms. Nkhata, Messrs. Ahmed (all AFR), Tressel (MCM), Kim (SPR), Nsengiyumva (Resident Representative), Tchakote (local economist) and Ms. Andrianometiana (OEDAF) held virtual discussions with the authorities during May 13-26, 2021.

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CONTEXT

1. **Performance under the 2017-20 ECF-supported program was broadly satisfactory (Annex II).** The ECF arrangement, with access of 175 percent of quota, followed a sharp fall in oil prices and helped avoid a balance of payments (BoP) crisis in the CEMAC. Under the program, Cameroon—the largest economy in the CEMAC—achieved significant fiscal consolidation. However, unanticipated shocks such as the fire at the state-owned refinery, the security crisis in the Northwest – Southwest (anglophone) regions, and the COVID-19 pandemic contributed to lower-than-expected performance.

2. **Cameroon faces significant development challenges heightened by the pandemic.** An upsurge in COVID-19 cases since January 2021 (Annex III), has raised concerns about growth prospects and the external and fiscal positions. Additionally, the security crisis, and the contested 2018 presidential elections have contributed to a tense socio-political environment. The pandemic could reverse improvements in poverty reduction and development outcomes and jeopardize the implementation of reforms.

3. **The authorities have requested new ECF/EFF arrangements.** Building on the previous ECF, the new Fund-supported program aims at higher, more inclusive growth, and export diversification. Given its per capita income and its past and prospective market access, Cameroon is presumed to blend PRGT with GRA resources.[1] Prospective market access is embedded in the issuance of a new Eurobond.

RECENT ECONOMIC DEVELOPMENTS, OUTLOOK, AND RISKS

A. Recent Economic Developments

4. **Economic activity slowed sharply in 2020, although less than projected in the second RCF (RCF-2) staff report.** [2] COVID-19 infection rates have resurged since January 2021, with an increase in fatality rates (Annex II). Real GDP is estimated to have declined by 1.5 percent, compared with 2.8 percent projected in the RCF-2. While non-oil activity in trade, transport, and tourism was constrained by confinement and social-distancing measures, oil production, agriculture, and construction remained resilient. Inflation stayed below 3 percent, despite upward pressures from food prices.

5. **The authorities' proactive pandemic response helped contain the fiscal deficit to 3.6 percent of GDP in 2020, lower than in the Revised Budget Law (RBL).** Government revenues

[1] Consistent with the blending criteria set out in *2018-19 Review of Facilities for Low-Income Countries—Reform Proposals: Review of The Financing of The Fund's Concessional Assistance and Debt Relief to Low-Income Member Countries*.

[2] Recent regional economic policies and outlook are presented in IMF Country Report no. 21/21.

performed slightly better than expected. The authorities' efforts to increase digitalization of revenue collection and a rise in economic activity with the easing of social distancing measures, helped mitigate the fall in revenue. The spending reprioritization underlying the RBL was effectively implemented, and total expenditures reached 17 percent of GDP, driven by a 27.2 percent reduction in capital spending.

6. **The 2020 current account deficit narrowed, reflecting stronger-than-expected non-oil exports.** The current account deficit reached 3.7 percent of GDP in 2020, about 1.8 percentage points lower than in the RCF-2. Oil exports and overall imports decreased sharply, broadly in line with the previous projections, meanwhile non-oil exports held up. The external position of Cameroon in 2020 was assessed to be moderately weaker than implied by fundamentals and desirable policies (Annex IV).

7. **Credit to the economy accelerated slightly in 2020, while net foreign assets (NFA) dropped.** In March 2020, BEAC announced a set of monetary easing measures. After weak credit growth in the first half of 2020, domestic credit accelerated, reflecting a sharp increase in credit to the public sector, and a stagnation of credit to the private sector. NFA dropped by CFAF 12 billion, as a drop of CFAF 313 billion at the BEAC was mostly offset by an increase of CFAF 301 billion at commercial banks.

8. **IMF assistance helped close 2020 financing gaps.** Since the pandemic's outbreak, the IMF has approved two disbursements under the RCF totaling SDR 276 million, about US$ 382 million or 100 percent of quota, filling 38.8 percent of the external financing gap. [3] This assistance has been critical in securing and catalyzing the needed additional financing.

B. Outlook and Risks Over the Program Period

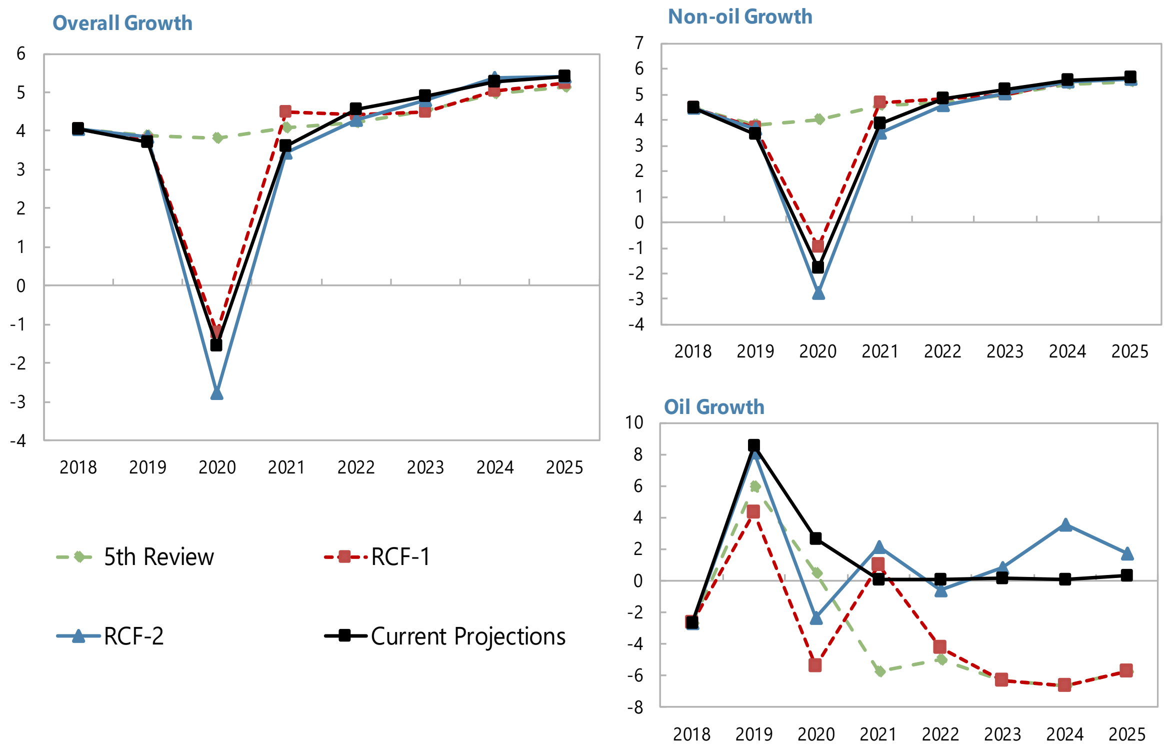
9. **The near-term outlook remains highly uncertain and critically depends on the authorities implementing policy commitments under the program (Text Figure 1).** A gradual recovery could increase GDP growth to 3.6 percent in 2021 and 4.6 percent in 2022 as the COVID pandemic is expected to recede gradually (WEO forecasts). Inflation is expected to remain below 3 percent and the fiscal balance should gradually improve. Total public and external debt to GDP are projected to gradually decline after 2021.

- *Downside risks* include a new wave of COVID infections, new virus strains, longer-than-expected vaccine deployment, weak reform implementation, and an intensification of ongoing armed conflicts. Recent developments in Chad have not had noticeable effects on Cameroon but could heighten security risk in the Far North region.

- *Upside risks* include rising oil prices and successful structural reforms, which would accelerate economic recovery with higher fiscal revenue and reduced debt vulnerabilities.

[3] May 4, 2020 (IMF Country Report No 20/185) and October 21, 2020 (IMF Country Report No. 20/294).

Text Figure 1. Cameroon: Evolution of the Medium-term Growth Forecast, 2018– 25
(percent change year/year)



Source: Country Authorities and IMF Staff Estimates

10. Under downside scenarios, macroeconomic imbalances and public debt vulnerabilities would persist. The materialization of downside risks would increase fiscal and external financing needs and public debt vulnerabilities. Contingency measures would include improving the collection of tax arrears, streamlining tax exemption, and the rationalization of expenditures. The authorities are committed to consider a new revised Budget Law as needed (MEFP, ¶21). Cameroon is expected to receive an SDR allocation of about $370 million (0.87 percent of GDP) in August 2021 which would bolster CEMAC's international reserves and could be used to substitute for anticipated but delayed donor support, and to strengthen the COVID-19 response plan. The allocation is not included in the projections and its use and potential implications on the program will be further discussed during the first review.

11. Medium-term growth prospects remain positive, driven by the implementation of SND30, large infrastructure projects, and a recovery in trading partner economies. Assuming the pandemic recedes during 2021-22, the global economy strengthens, and oil prices remain high, the Cameroonian economy should begin to recover and reach a growth rate of over 5 percent in the non-oil sector starting from 2023. This rate is projected to gradually rise to 5.8 percent in 2026. In addition to the expected impact of structural transformation foreseen under SND30 and the CEMAC Economic and Financial Reform Program (PREF-CEMAC), the recovery will be driven by natural gas production, and completion of infrastructure projects.

THE NEW ECF AND EFF ARRANGEMENTS: RATIONALE, OBJECTIVES AND POLICIES

This successor program builds on the 2017–20 ECF and aims to support the authorities' efforts to achieve a rapid post-COVID recovery, strengthen medium-term external and fiscal sustainability and implement their economic reform strategy towards sustained, more inclusive and diversified growth, while strengthening debt sustainability. It will also help catalyze private investment and donor financial support.

12. **Based on five main pillars, the new program will draw on the National Development Strategy for 2020-30 (SND30) and the PREF-CEMAC.** The PREF-CEMAC aims at a more diversified, inclusive, and sustainable growth and the SND30, adopted in 2020, revolves around i) the structural transformation of the national economy, with industrial development as a focal objective, ii) the development of human capital and well-being, iii) the promotion of employment and economic integration, and iv) governance, decentralization, and strategic management of the State. Against this background, the new program will seek to:

- Mitigate the health, economic, and social consequences of the COVID-19 pandemic while ensuring domestic and external sustainability.
- Reinforce good governance and strengthen transparency and anti-corruption.
- Accelerate structural fiscal reforms to modernize tax and customs administrations, mobilize revenue, improve public financial management, increase investment efficiency, and reduce fiscal risks from SOEs.
- Strengthen debt management and reduce debt vulnerabilities ; and
- Implement structural reforms to accelerate private sector-led economic diversification and boost financial sector resilience.

A. Mitigating the Impact of the Pandemic

13. **Over the short-term, mitigating the impact of the pandemic remains a priority.** The authorities have accordingly rationalized non-priority spending while protecting the most vulnerable. However, the execution rate of social spending remains low and progress in setting direct cash transfers is slow. A mechanism developed with World Bank assistance, which targets transfers to the most vulnerable populations hit by the pandemic is expected to gradually replace the less effective universal tax expenditures.

14. **The program aims to avoid a premature tightening of fiscal policy that could prolong the crisis.** The authorities' immediate priority remains increasing health and social protection spending to limit the spread of COVID-19 and its repercussions, while protecting and increasing permanent social spending.

15. The revised 2021 budget law (RBL2021) assumes a gradual return to the fiscal consolidation path consistent with program objectives and CEMAC's convergence criterion, while providing space for additional vaccinations. It also provides for subsidies related to higher oil prices. Compared to the initial budget law:

- RBL2021 increases the overall cash deficit by 0.3 percentage points to 3.4 percent of GDP in 2021, with a non-oil primary deficit (cash basis) of 4.6 percent of GDP.

- Revenue is expected to increase by 0.8 percentage points to 14.3 percent of GDP, driven by an increase of oil revenue (0.6 percentage points to 2.2 percent of GDP) and non-oil revenue (0.2 percentage points to 12.1 percent of GDP). The authorities intend to intensify the collection of tax and customs arrears, and duties and taxes arising from cross-debt agreements. They will also strengthen control to reduce the risk of under-reporting and intensify efforts to improve the performance of State revenues (MEFP, ¶21).

- Spending is expected to increase by 0.8 percentage points to 17.6 percent of GDP. This adjustment accounts for vaccination costs, in line with the authorities' National Vaccine Readiness and Deployment Plan (additional 0.3 percent of GDP, see Annex III), higher COVID-19 related spending (by 0.1 percent of GDP), a reevaluation of fuel subsidies (by 0.4 percent of GDP) in line with the projected higher international oil prices, and a speedup of arrears repayment. Capital spending remained unchanged.

16. Staff supports the authorities' aim to gradually return to a fiscal consolidation path consistent with program objectives and CEMAC's convergence criteria. A reduction of 1.9 percentage points of GDP of the overall fiscal deficit is expected over the course of program. The non-oil primary balance (cash basis), the program's fiscal anchor, is expected to decrease to 2.9 percent of GDP in 2024 from 4.6 percent of GDP in 2020, reflecting revenue measures and policies to contain current spending broadly at the current level (as share of GDP).

- Revenue measures will include streamlining the least effective tax exemptions and recovering tax arrears and would generate additional non-oil revenues of 2.6 percentage points of GDP by 2024.

- Spending measures include policies to contain the wage bill as a share of GDP and transfers and to reprioritize the least effective expenditure. Envisaged actions regarding the wage bill include the strict control of the return to pay of suspended public officials and the installation of an integrated career and payroll management software (MEFP, ¶22).

- These revenue and expenditure measures would create space to support spending with higher economic and social impact and strengthen public investment and social protection.

B. Reinforcing Good Governance and Strengthening Transparency and Anti-Corruption

17. The proposed new program builds on the authorities' SND-30, with a cross-cutting focus on reinforcing good governance, transparency, and anti-corruption. Existing measures on the criminalization of corruption are broadly in line with UNCAC recommendations. Nevertheless, governance issues and corruption continue to hamper the effective use of Cameroon's public resources, contribute to high trade costs, and impede private sector competitiveness[4]. While Cameroon has a specialized anti-corruption agency (CONAC) tasked to investigate corruption cases, its autonomy needs to be strengthened. In addition, Cameroon has developed obligations for public officials to declare assets, but there is no government body to oversee implementation of these provisions.

18. The program will strengthen governance and further reduce corruption risks and build on a governance diagnostic. The program includes measures to strengthen SOE governance (MEFP ¶38-39), improve the AML/CFT system (MEFP, ¶54) and implement outstanding EITI corrective measures (MEFP, ¶55). The authorities are committed to strengthening their anti-corruption framework, including the declaration regime, during the program. A more targeted discussion of Cameroon's institutional governance and anti-corruption frameworks is planned either in the context of a diagnostic or the Article IV consultation. An in-depth diagnostic would provide an informed basis to design future structural benchmarks.

19. Outstanding commitments under the RCF are included as prior actions or structural benchmarks, as appropriate (Annex II, Table 3). The mission welcomes the authorities' intent to respect previous RCFs commitments, including publishing the results of contracts related to COVID-19 with the list of beneficial ownership, issuing COVID-19 related spending report and publishing the audit report. (¶46, 54).

C. Structural Fiscal Reforms

20. The new program will focus on macro critical structural reforms, building on achievements during the previous program. Fiscal performance during the previous program was broadly satisfactory (Annex II), reaching a fiscal consolidation of 2.2 percent of GDP from 2016 to 2019, through expenditure rationalization, and a gradual expansion in the non-oil revenue base (MEFP, ¶23). Nevertheless, additional progress is needed on structural reforms to enhance performance on both revenue and expenditure.

Revenue Mobilization

21. Improving and modernizing revenue mobilization are key objectives under the new program (MEFP, ¶20, 21, 26-27-28-29)**.** The authorities intend to mitigate revenue losses and formulate a solid and pro-growth revenue mobilization strategy covering both revenue

[4] Under the previous ECF, two assessments were undertaken, one in the second review focusing on key obstacles to private sector-led growth (CR 18/235) and another in the third review on governance and corruption (CR 18/378)

administration and tax policies (Text Table 1). Non-oil revenue would gradually increase by about 0.7 percent of GDP per year over 2021-24 or about 2 ½ -3 percent of GDP through tax measures over the program period (Structural Benchmark 5, MEFP Table 2).

- **Revenue administration** (MEFP, ¶21-27-28)**.** The authorities will focus on key priorities defined by IMF TA to modernize the tax management system, facilitate tax compliance, and strengthen tax controls and risk-based tax audits. They will follow up on reform recommendations on taxation at the local level, which should support better governance in the public sector and more equitable development.

- **Securing customs revenue** (MEFP, ¶29)**.** The customs administration will continue consolidating the gains from revenue optimization and facilitation reforms, including regular reconciliation and verification of the tax database with the tax and customs authorities, simplification of procedures, strengthening customs' valuation processes, and enhanced actions to combat fraud and smuggling. The AFRITAC Center will continue to provide implementation support.

- **Tax policy** (MEFP, ¶30)**.** While new tax policy reforms are not envisaged in the 2021 RBL, IMF TA will provide a basis for tax policy reforms over the medium-term. The authorities have also requested TA to formulate a Medium-Term Revenue Strategy to raise taxpayer compliance and establish a high-level road map of tax system reforms. Tax policy could include i) reducing tax expenditure; ii) rationalizing the tax regime of externally financed projects; iii) broadening of the tax base in the transport sector by combining the multiplicity of taxes and charges; and iv) reforming local taxation.

- **Digitalization strategy** (MEFP, ¶20-26-28)**.** Building from 2020 IMF TA the tax authority has prepared its digital strategy and accelerated related projects (e-filing, on-line/web services and "mobile payment" options). A 2021 follow-up mission identified short term objectives including: i) expanding the tax base to avoid further burdening the formal sector (less than one percent of all registered taxpayers); ii) strengthening enforcement by collecting recoverable tax arrears and tackling remaining defaulters; iii) redirecting tax audit towards taxpayers with the highest risks; and iv) improving crosschecking of amounts reported in tax declarations with information from third-party sources.

Text Table 1. Cameroon: Medium-Term Potential Gains from Revenue Enhancement

	Percent of GDP
Discontinuing Tax relief to businesses and households.	0.5
Recovering SOEs tax arrears.	1.5
Streamlining the least effective VAT tax expenditure.	0.8 - 2.6
Taxing donor funded projects.	0.6
Total	**3.4 - 5.2**

Source: Country Authorities and IMF Staff Estimates

22. Streamlining tax exemptions is key to limit significant and growing sources of foregone revenues, with limited social benefit to the poorest (MEFP, ¶30)**.** As of end-2019, the authorities assessed the cost of 371 measures at CFAF 584.7 billion (2.6 percent of GDP), of which 71.1 percent benefit households. The VAT tax expenditures amount to 280 measures, 68.3 percent of the total. Nearly 46 percent of VAT tax spending is related to food and nonalcoholic drinks and are of greater benefit (40.8 percent) to the wealthiest households against only 5.8 percent for the poorest households. The Government is committed to gradually phasing out the least effective measures and replacing them by conditional cash transfer mechanisms, with World Bank support. They also intend to accelerate tax arrears recovery, while avoiding their recurrence and to undertake an in-depth analysis of existing tax and customs incentives under the existing Investment Code and compliance with existing rules.

Public Financial Management (PFM)

23. The authorities have made significant efforts to strengthen PFM (MEFP, ¶25). These include improving budget preparation and quality of expenditure, as well as strengthening the control and management of public funds, including by developing a medium-term budget framework. They have also implemented the CEMAC Directives already transposed into the national law, and promulgated laws relating to the PFM code of transparency and good governance.

24. However, significant weaknesses remain in PFM. Budget execution does not guarantee full compliance with parliamentary authorization and persistent underestimation of spending needs and commitments has undermined credibility and transparency. The share of spending executed through exceptional procedures and the SNH's direct interventions remains important (CFAF 194 billion).[5] They pose risks to the treasury and impair the quality of budgetary information.

25. The program aims to address these shortcomings. Main actions will include i) preparing a monthly report on budget execution and credible monthly cash-flow plans on commitment basis backed by procurement plans; ii) preparing an inventory of government bank accounts and closing those outside the TSA; iii) limiting exceptional procedures by setting an indicative ceiling on direct interventions by SNH and accelerating the transition to normal procedures; iv) completing audits of domestic arrears, adopting a strategy for clearing verified arrears, and avoiding accumulation of new arrears (MEFP, ¶25). Measures on fiscal decentralization would also be considered, drawing on the recommendations of FAD TA missions.

Active Debt Management and Debt Sustainability

26. Cameroon's public and publicly guaranteed (PPG) debt is estimated at 45.8 percent of GDP as of end-2020 (Text Table 3). Public external debt is estimated at 31.1 percent of GDP, of which bilateral creditors account for the largest share (13.4 percent of GDP). The share of multilateral debt (12.0 percent of GDP) is expected to increase during the program period given the expected disbursements.

[5] Refers to payments made by the Treasury without prior authorization, excluding debt service payments.

27. While Cameroon is at high risk of debt distress, its debt remains sustainable. Three out of four external debt indicators breach the thresholds under the baseline scenario. The PV of the public debt-to-GDP ratio is above the benchmark, suggesting a high risk of overall debt distress. However, Cameroon's debt can be assessed as sustainable considering that despite worsened signals driven by tighter thresholds associated with the updated Composite Indicator (CI)[6], its overall debt profile has improved compared to the previous DSA, with levels of debt and debt service below those sustained in the recent past. To mitigate risks, the program focuses on a gradual fiscal consolidation in line with crisis mitigation efforts, limited reliance on non-concessional borrowing (NCB), prudent public debt and SOEs management. Such measures would lead to a gradual improvement of external debt service and debt stock indicators (DSA Figure 1).

28. To safeguard debt sustainability, non-concessional borrowing for 2021 will be capped at CFAF 300 billion, with new contracting strictly limited to the projects listed in Table 1 of the TMU (MEFP, ¶32).[7] An adjuster to permit up to CFAF 300 billion of non-concessional borrowing will help fill finance high priority projects that are critical for national development but cannot be financed concessionally.[8] This list includes three 2020 projects that were not signed, as well as eight new non-concessional loans. Strengthened PFM and governance will help improve project selection and management. The program conditionalities will be adjusted as the new Debt Limits Policy (DLP) becomes effective or if Cameroon's risk classification improves.

Text Table 2. Cameroon: 2021 External Borrowing Program
(CFAF, billions)

Sources of Debt Financing	**980**
Concessional debt, of which	349
Multilateral debt	343
Bilateral debt	6
Non-concessional debt, of which	631
Commercial terms	631
Of which, Eurobond 1/	328
Uses of Debt Financing	**980**
Infrastructure	652
Debt management 2/	328

Source: Cameroonian Authorities & IMF Staff estimates
1/ Excludes proceeds used to finance projects (CFAF 37.5 billion) and the buy-back net financing cost.
2/ Buyback of the existing Eurobond.

[6] Cameroon's CI score based on the April 2021 WEO and the 2019 World Bank CPIA data is 2.65, signaling a *weak* debt-carrying capacity.

[7] For 2022, non-concessional borrowing will be initially capped at any unused space from the 2021 limit and restricted to the projects listed in Table 1 of the TMU, until it is changed by the IMF Executive Board following discussions of a new DSA and on a list of specific projects for 2022.

[8] Using the Signal-Based Approach proposed in the new Debt Limits Policy.

29. Active debt management will help reduce liquidity risks (MEFP, ¶34). The authorities issued a new Eurobond[9] on July 1 (CFAF 450 billion) whose proceeds will be used (i) for liability management operations, including a partial buy-back of the 2015 Eurobond (CFAF 328.3 billion) with a net financing cost of about CFAF 83.5 billion; and (ii) to finance projects (CFAF 37.5 billion) critical for Cameroon's development that have high economic and social returns with limited concessional financing. The Government will create an escrow account under the TSA for the CFAF 37.5 billion to ensure spending is limited to the identified projects. The use of the Eurobond for project financing will be closely monitored to ensure consistency with fiscal targets under the program, and the authorities will consult with staff before contracting new projects or financing approved projects.

30. Cameroon has made substantial progress developing a medium-term public debt strategy (MTDS). However, there are challenges associated with coordination between the different departments involved in debt management, accounting of undisbursed loan commitments, and staff to operate the MTDS analytical tool. The authorities will prepare a more focused MTDS to facilitate developing consistent annual borrowing plans, with an enhanced communication strategy to facilitate creditor's understanding of the authorities' debt management objectives (MEFP, ¶35).

31. Cameroon's large stock of committed but undisbursed loans (SENDs) reflects a lack of consistency between the MTDS and project planning (MEFP, ¶37). The 2021-23 MTDS assumes full execution of the stock of the SENDs by 2025 but does not yet provide an assessment of these projects, their priority, and key vulnerabilities. The authorities reiterated their commitment to reassess and cancel SENDs related to old and non-performing projects, and to strengthen controls on new borrowing for a better alignment with absorption capacity.

32. Efforts to restructure SONARA's debt need to be strengthened and accelerated (MEFP, ¶40-41). There is noteworthy progress on SONARA's bank debt restructuring, with the adoption of the new price structure, including a levy on imported refined oil products to secure the repayment of SONARA's debt. The authorities also reached agreement in 2020 with creditor banks representing about a third of SONARA's total debt, and the debt owed to SNH has been cancelled. Negotiations are ongoing on restructuring debt owed to oil traders. The authorities are committed to timely resolution of the company's debt issues to preserve financial stability and minimize current and future fiscal costs. Further discussions will be held during the first review.

Reducing Fiscal Risks from SOEs

33. SOEs in Cameroon face structural difficulties and present budgetary risks. Their profitability is low, and indebtedness is high, raising the risk of larger budget transfers. The institutional framework for the oversight of public enterprises is fragmented among multiple stakeholders, limiting the effectiveness of financial supervision.

34. SOE governance, public procurement, control, and internal/external audit need strengthening. 2021 IMF TA provided an in-depth diagnostic of SOEs focusing on i) the institutional

[9] The new Eurobond has a maturity of 12 years, with repayments scheduled on three equal tranches starting from 2030; coupon interest rate is 5.95 percent.

framework for governance and supervision of public enterprises; ii) transparency in the monitoring of their operations; iii) financial relations with the State; and iv) controlling the budgetary risks linked to their activities. In line with recommendations, the authorities intend to establish an exhaustive directory of public enterprises, schedule an audit of end-2020 cross debts between the State and public enterprises (tax arrears of 1.5 percent of GDP) and adopt (2022) a credible and progressive clearance plan based on the cash requirements of public enterprises. They also intend to supplement existing texts to strengthen the control of budgetary risks, and the classification and the functioning of governing bodies of public enterprises (MEFP, ¶34, 39).

Text Table 3. Cameroon: Decomposition of Public Debt and Debt Service by Creditor, 2020– 22

	Debt Stock end-2020			**Debt Service**					
				2020	2021	2022	2020	2021	2022
	$US, millions	*Percent of total debt*	*Percent of GDP*	*$US, millions*			*Percent of GDP*		
Total 1/	**18138**	**100.0**	**42.6**	**1663**	**2666**	**2303**	**4.2**	**5.9**	**4.7**
External	**12497**	**68.9**	**29.3**	**626**	**1413**	**1236**	**1.6**	**3.1**	**2.5**
Multilateral creditors	5110	28.2	12.0	134	172	198	0.3	0.4	0.4
IMF	1012	5.6	2.4						
World Bank	1910	10.5	4.5						
AfDB	1532	8.4	3.6						
Other Multilaterals	656	3.6	1.5						
o/w IDB	384	2.1	0.9						
o/w IFAD	91	0.5	0.2						
Bilateral creditors	5693	31.4	13.4	214	318	832	0.5	0.7	1.7
Paris Club	1892	10.4	4.4	22	13	342	0.1	0.0	0.7
o/w France	1623	8.9	3.8						
o/w Japan	94	0.5	0.2						
Non-Paris Club	3801	21.0	8.9	192	305	490	0.5	0.7	1.0
o/w China	3516	19.4	8.3						
o/w Turkey	169	0.9	0.4						
Eurobonds 2/	836	4.6	2.0	66	771	66	0.2	1.7	0.1
Commercial lenders	858	4.7	2.0	212	153	139	0.5	0.3	0.3
o/w Bank of China	242	1.3	0.6						
o/w Intesa San Paolo SPA	193	1.1	0.5						
Domestic	**5642**	**31.1**	**13.2**	**1038**	**1252**	**1067**	**2.6**	**2.8**	**2.2**
T-Bills (BTA)	422	2.3	1.0	666	434	0	1.7	1.0	0.0
Bonds	1458	8.0	3.4	174	277	410	0.4	0.6	0.8
Structured debt	1550	8.5	3.6	178	489	479	0.4	1.1	1.0
Non-structured debt	126	0.7	0.3	20	31	49	0.1	0.1	0.1
BEAC advances	1070	5.9	2.5	0	21	130	0.0	0.0	0.3
Floats and arrears	1016	5.6	2.4						
Memo items:									
Contingent liabilities	**1363**	**7.5**	**3.2**						
o/w: Public guarantees (external)	53	0.3	0.1						
o/w: Other contingent liabilities	1310	7.2	3.1						
o/w external	703	3.9	1.7						
o/w domestic	608	3.4	1.4						
Nominal GDP (CFAF, billions)				22955	24265	25865			
Exchange rate, end of period (CFAF/US$)				539	534	531			
Exchange rate, period average (CFAF/US$)				575	538	531			

Source: Country Authorities & IMF Staff estimates

1/ Excludes public guarantees and other contingent liabilities, which are noted under memo items.

2/ Debt stock as of end-2020 is old Eurobond; debt service projection includes interest payments for the new Eurobond.

D. Structural Reforms to Strengthen Productivity, Accelerate Private Sector-Led Economic Diversification

In addition to PPP and SOE reforms likely to have positive effects on growth, the program envisages other structural reforms to improve the business environment, promote gender equality, reinforce financial stability and inclusion and promote a greener economy.

Improving the Business Environment

35. Cameroon's business environment remains challenging (MEFP, ¶27-50-51)**.** Weaknesses have been identified in cross-border trading, paying taxes, registering the protection of property rights, contract enforcement, and the judiciary. The authorities intend to increase productivity and unleash private sector potential by i) strengthening the framework for public-private sectors dialogue; ii) operationalizing the one-stop-shop "Guichet Unique" to improve property registration; iii) reducing the minimum paid-up capital for limited liability companies from 100,000 CFAF to 5,000 CFAF; iv) digitalizing the various stages of company formation, deployment of permits, and payment of taxes; and v) revising the 2013 law on investment incentives to address its unintended negative impact on competition and the tax base. They also intend to alleviate private sector constraints related to contract enforcement and the protection of investor and property rights.

Promoting Gender Equality[10]

36. While Cameroon has achieved some progress in promoting and protecting women's rights and reducing gender-based inequalities, disparities persist (MEFP, ¶53). In 2010, Cameroon signed a circular on including gender considerations in public programs. It has also ratified conventions at the international levels. However, Cameroon's global gender gap index remains below the average for lower-middle income countries.[11] The authorities will continue efforts to promote gender equity, including by adopting gender budgeting tools. They have also pledged to modify discriminatory laws and policies to facilitate female entrepreneurship, including stepping up consultations with banks to facilitate access to credit for women.

Strengthening Financial Stability and Inclusion

37. Fragilities have accumulated in the banking system. While overall profitability has remained broadly stable, credit risk is rising. The NPL ratio increased to 16 percent in 2020 (12.8 percent in 2019), despite the COBAC's July 2020 decision to loosen NPL definitions to help banks delay pandemic-related losses, with provisioning coverage broadly stable at 90 percent. While the overall capital ratio remains relatively solid, a few small banks (16 percent of banking assets) are insolvent or undercapitalized. Liquidity ratios have improved following strong deposit growth and increased holdings of sovereign debt and cash. Bank exposures to CEMAC States have increased

[10] Cameroon, IMF Selected Issues Papers, Country Report No. 18/256, June 2018.

[11] Examines the gap between men and women across four fundamental categories: Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment.

from 18.4 to 25.6 percent of assets between end-2019 and end-2020, raising concerns of potential future crowding-out of private sector lending.[12] Banks are also subject to high concentration risks.

38. The authorities aim to continue to achieve progress in the reduction plan for NPLs, align bank restructuring plans with best practices, and ensure a continued restructuring of SONARA debt consistent with the provision of credit (MEFP, ¶40-41-42-43-44)**.** This will include the operationalization of the registry of movable collateral launched in 2019 and the implementation of the 2019 law allowing a clean-up of past NPLs from bank balance sheets. Moreover, the authorities will aim to ensure that restructuring plans minimize costs to public finance and that historical shareholders bear the cost of losses and participate in a timely recapitalization, subject to meeting the COBAC's "fit and proper" criteria. Recapitalizations will be achieved within 3 years, in line with COBAC regulations. The ongoing restructuring of SONARA debt should remain consistent with banks' asset coverage ratio and the long-term financing needs of the economy, which may be achieved by a temporary exemption of the prudential ratio on the minimum fixed asset ratio. This ratio should be carefully monitored bank-by-bank as SONARA debt is progressively amortized.[13]

39. Strengthening financial inclusion to reduce poverty and achieve inclusive economic growth with support from regional initiatives is key (MEFP, ¶45-46)**.** As of 2017, only 35 percent of Cameroon's population had access to financial services, compared to 58 percent on average for lower middle-income countries. Options to ensure faster progress while preserving financial stability and integrity include: i) steps to further spur mobile money, including regulatory aspects, and partnerships with banks; ii) for SMEs: progress with the business model reform of the SME bank, completion of the registry of movable collateral, setting up credit bureaus in line with the regional strategy, strengthening the existing Centrale des Bilans et des Risques, developing factoring schemes, and other specific initiatives for young firms; and iii) for individuals: financial literacy campaign, land title registries, product design to spur savings and incentivize sound borrowing, consumer protection, and conduct.

Promoting the Green Economy: Mitigating and Adapting to Climate Change

40. The authorities have taken steps to promote sustainable management of Cameroon's varied natural resources, and to adapt and mitigate the effects of climate change (MEFP, ¶52)**.** Every year, around 320,000 Cameroonians are affected by climate-related disasters.[14] SND30 includes measures to i) promote sustainable cultivation practices; ii) encourage reforestation actions, and limit timber exports; iii) rationalize the use of surface and ground water resources through new practices

[12] Credit to private firms increased by 3.5 percent in 2020, however, its share in total credit declined by 4.6 percentage points. During the same period, the share of credit to public administrations and SOEs in total credit increased by 5 percent. Credit to individual firms declined by 25 percent in 2020.

[13] Staff back-of-the envelop estimations suggest that banks accounting for 60 percent of bank capital should not require an exemption beyond one year, and only one bank accounting for less than 10 percent of bank capital may be at risk of not being able to meet the ratio more sustainably.

[14] Cameroon is vulnerable to rising sea levels in coastal areas, drought in the Sahelian regions, and floods that threaten livelihoods and infrastructure. Moreover, population growth, migration, increased demand for fuelwood, and illegal logging and poaching have increased pressure on Cameroon's forest ecosystems. Cameroon validated its National Adaptation Plan for Climate Change (PNACC) to reduce the country's vulnerability to climate change and strengthen its capacity for adaptation and resilience in 2015 and ratified the Paris Agreement in 2016.

and technologies; iv) intensify actions to combat desertification, land degradation, and pollution resulting from industrial waste; and v) operationalize systems to monitor, prevent and respond to the effects of climate change.

41. **The IMF will support the authorities' efforts including through its catalytic role.** This could include TA to assess fiscal risks and evaluate resources needed for mitigation plans, as well as encouraging public policies and domestic resource mobilization in favor of green growth. The IMF will also continue to catalyze financial support. Cameroon is already benefitting from important external programs, including the World Bank's Inclusive and Resilient Cities Development Project and Germany's Forests and Environment project for sustainable exploitation of Cameroon's environment and forest resources.

PROGRAM MODALITIES

42. **The authorities have requested three-year arrangements under the ECF/EFF.** Cameroon faces external financing needs over the course of the program. The financing gap is estimated at just under CFAF 1 trillion (US$1.9 billion) or 4.2 percent of 2021 GDP over 2021-2024, driven partially by the need to support vaccination costs and public investment needs through the medium-term and to accumulate reserves. This gap will decline gradually from US$0.8 billion (1.8 percent of GDP) in 2021 to US$0.2 billion (0.3 percent of GDP) in 2024 thanks to the authorities' fiscal consolidation efforts and structural reforms implementation.

43. **The Fund catalytic role is key in securing external financing for Cameroon to cover its financing needs** (Text Table 4). Discussions with donors confirmed the importance of the Fund's engagement in their decision to contribute.

Text Table 4. Cameroon: External Financing Needs and Sources
(CFAF, billions)

	2021	2022	2023	2024	2025	2026
Total Financing Requirements	**2021**	**1640**	**1718**	**1796**	**1851**	**2007**
Current Account Deficit	964	918	940	946	909	869
Amortization of PPG Debt	704	503	599	590	616	654
Gross Reserves Accumulation (+ = increase)	353	219	179	259	326	484
Financing Sources	**1584**	**1380**	**1495**	**1700**	**1851**	**2007**
Capital Account	30	32	34	37	39	42
Financial Account	1553	1348	1461	1664	1812	1964
Financing Gap	**437**	**260**	**223**	**96**	**0**	**0**
Additional/Exceptional Financing Sources	**437**	**260**	**223**	**96**	**0**	**0**
IMF Financing	**161**	**85**	**86**	**43**	**0**	**0**
Prospective ECF	*54*	*28*	*29*	*14*	*0*	*0*
Prospective EFF	*107*	*57*	*57*	*29*	*0*	*0*
Budget Support (excl. IMF)	**110**	**174**	**137**	**53**	**0**	**0**
AFDB	*0*	*53*	*53*	*0*	*0*	*0*
WB	*79*	*106*	*53*	*53*	*0*	*0*
France	*0*	*0*	*0*	*0*	*0*	*0*
EU	*16*	*0*	*16*	*0*	*0*	*0*
Other	*15*	*15*	*15*	*0*	*0*	*0*
Exceptional Financing	**166**	**0**	**0**	**0**	**0**	**0**
DSSI	*166*	*0*	*0*	*0*	*0*	*0*
Residual gap	**0**	**0**	**0**	**0**	**0**	**0**

Source: Country Authorities and IMF Staff Estimates

44. Staff proposes three-year arrangements under the ECF/EFF with combined access of 175 percent of quota (SDR 483 million; US$690 million). Given Cameroon's access to the Eurobond market, staff proposes a blend of resources of SDR 483 million (175 percent of quota) composed of SDR161 million (58.3 percent of quota) under the ECF and SDR 322 million (116.7 percent of quota) under the EFF. PRGT cumulative access will peak at 293.3 percent of quota in December 2022 while combined GRA and PRGT exposure will peak at 403.5 percent of quota in June 2024. The financing will be disbursed as budget support given the nature of the regional institutional arrangements and will help build up fiscal and external buffers.

- The proposed program will help strengthen substantially and in a sustainable manner the BOP position, by supporting quick progress toward macroeconomic stability consistent with strong and durable poverty reduction and growth. The Fund resources will be used for budgetary financing, which will support policies that will address Cameroon's BOP difficulties.

- As normally the case for currency union members, the ECF/EFF disbursements will be on-lent to the government via the Central Bank.

- Cameroon is at high risk of debt distress, although debt is assessed to remain sustainable and to improve over time (¶32).

45. Cameroon's capacity to repay remains adequate. After disbursements of 75 percent of quota in 2021, Fund exposure to Cameroon would be 2.9 percent of GDP at year end and would peak at 3.1 percent of GDP in 2022 (Table 5). Cameroon's total credit outstanding to the Fund relative to quota is high but remain in line with peers if compared against GDP and PPG external debt. Projected repurchases beginning in 2023 will cap the growth of net outstanding credit at 0.2 percentage points of GDP during the program. Total obligations to the Fund as a share of quota, GDP, revenues, reserves, and exports rise steeply starting in the third year of the program and remain well above the median values for past PRGT arrangements for an extended period (Figure 3). Annual repayments will peak at 0.4 percent of GDP in 2027, representing 23.1 percent of total debt service. Risks will be mitigated by keeping access under the arrangements within normal access limits and leveraging the Fund's' catalytic financing role. Given Cameroon's share of BEAC reserves, its capacity to repay the Fund directly affects the capacity to repay the Fund of other CEMAC countries. The program is fully financed. There are firm commitments for the next 12 months through July 2022 with good prospects for financing thereafter.

46. The program proposes front-loaded disbursements (Table 7). Frontloading is warranted to match the acute impact of the pandemic on external accounts in the early part of the program, to accommodate the cost of vaccines in addition to other pandemic-related spending and the drop of reserves as follows: 45 percent of quota upon program approval and 30 percent upon completion of the 1st review (75 percent of quota in 2021) followed by 20 percent of quota for each subsequent review. Concerns about frontloading are mitigated by program design and the authorities' good track record in implementing the previous ECF and RCFs commitments, and substantial donor support, some of which will be conditional on program performance. The list of Structural Benchmarks includes 19 actions over the first year of the program, of which four Prior Actions and eight actions before end-December 2021.

47. Program performance will be reviewed semi-annually through six-monthly and continuous quantitative performance criteria (QPCs), quarterly indicative targets (ITs), and structural benchmarks (SBs). Macro-critical structural benchmarks are envisaged and are focused on achieving program objectives. They also follow up on RCFs commitments: i) publishing a report on the execution of COVID-19-related expenditures during the 2020 budget year *(Prior Action)*; ii) publishing on the ARMP website an overall table of the results of contracts related to COVID-19 and awarded from October 20, 2020 to the end of June 2021, including beneficial ownership of successful bidders *(Prior Action)*; iii) submitting to IMF staff, the Prime Minister, Senate, and National Assembly the audit prepared by the audit bench of the Supreme Court (*Chambre des Comptes*) of fiscal year 2020 expenses related to COVID-19 *(Prior Action)*; and publishing this audit (*Structural Benchmark* for end-December 2021). On debt related QPCs, should the risk classification improve thanks to active debt management, Staff would revise program conditionalities in line with the DLP.

48. The BEAC provided updated policy assurances on end-June 2021 and end-December 2021 NFAs.[15] It reiterated its commitment to an appropriate monetary policy stance, together with member states implementing fiscal adjustment agreed in the context of IMF-supported programs, to support external reserves build-up, including through an increase in its policy rate if reserves were to fall markedly again. As part of corrective actions to support the reserve position, BEAC will i) adapt liquidity management and re-introduce liquidity absorption to reduce excess liquidity, stimulate the interbank market, and improve monetary policy transmission; and ii) discontinue its public securities purchase program in September 2021. BEAC will also continue to work towards effective implementation of the foreign exchange regulation by finalizing adaptations for the extractive sector by end-2021. The regional assurances on regional NFAs are critical for the success of Cameroon's program and will help bolster the region's external sustainability.

49. The BEAC has implemented priority recommendations from the 2017 safeguards assessment. The BEAC has also issued its FY 2019 audited financial statements in full compliance with IFRS. Under the IMF safeguards policy and in line with the four-year cycle for safeguards assessments of regional central banks, an update safeguards assessment of the BEAC is expected to be conducted. The ECF/EFF support will be channeled to the Treasury through its accounts at the BEAC.

50. The proposed ECF/EFF arrangements will cover 38 percent of financing needs and are expected to catalyze additional financing from IFIs (Text Table 5). Assistance under the ECF/EFF would be critical for securing additional financing to cover the external financing gap. Total IMF disbursements would fill 39 percent of the estimated financing gap for 2021 and 33 percent for 2022.

51. The CD Strategy for Cameroon focuses on supporting the implementation of reforms underpinning this program (Annex V). Cameroon has an overall good track record of implementing TA recommendations. A revised CD strategy was discussed with the authorities, taking stock of new ways of working (remote missions) and evolving needs in the pandemic context.

[15] See CEMAC—Regional Consultation and Review of Common Policies in Support of Member Countries Reform Programs

Text Table 5. Cameroon: External Financing Gap

	2021	2022	2023	2024	Total (CFAF, billions)	Total (SDR, millions)	Percent of Gap	Percent of Quota[1]
Financing Gap	**437**	**260**	**223**	**96**	**1015**	**1307**	**100**	**474**
IMF Financing	**161**	**85**	**86**	**43**	**375**	**483**	**37**	**175**
Prospective ECF	54	28	29	14	125	161	12	58
Prospective EFF	107	57	57	29	250	322	25	117
Budget Support from other Donors	**110**	**174**	**137**	**53**	**474**	**611**	**47**	**221**
AFDB	0	53	53	0	106	137	10	50
World Bank	79	106	53	53	291	375	29	136
France	0	0	0	0	0	0	0	0
EU	16	0	16	0	32	41	3	15
Other	15	15	15	0	45	58	4	21
Debt Relief	**166**	**0**	**0**	**0**	**166**	**213**	**16**	**77**
DSSI (Net)[2]	166	0	0	0	166	213	16	77
Residual Gap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

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

STAFF APPRAISAL

52. **Following two RCF disbursements in 2020, the authorities have requested new ECF/EFF arrangements focused on higher, more inclusive growth, and export diversification**. The new arrangements will help the country address protracted balance of payments needs and support the authorities' reform agenda. The program would focus on five pillars i) recovering from and mitigating the consequences of the pandemic, while ensuring macroeconomic sustainability; ii) reinforcing good governance and strengthening transparency and anti-corruption measures; iii) accelerating reforms to modernize tax and customs administration, mobilizing revenue, improving PFM, increasing investment efficiency, and reducing fiscal risks from SOEs; iv) strengthening debt sustainability and management; and v) intensifying structural reforms to boost economic diversification and financial sector resilience.

53. **Staff welcomes the adoption of the revised budget law to accommodate the measures undertaken to address the impact of the pandemic.** However, the authorities should continue to monitor closely any potential fiscal risks, to limit further revenue losses. Should downside risks materialize, the authorities should stand ready to implement additional contingency measures, including expenditure reprioritization in areas that will least hinder efforts to mitigate the pandemic, while protecting expenditure that benefits the most vulnerable.

54. **Staying the course on gradual fiscal consolidation will be crucial for rebuilding fiscal and external buffers.** Staff supports the authorities' objective to return to the fiscal consolidation path once the crisis abates to safeguard debt sustainability and ensure a strong and inclusive recovery in line with Cameroon's medium-term reform agenda. The program will aim to broaden the non-oil revenue base, reduce discretionary tax exemptions, combat tax fraud and evasion, and enhance tax and customs administration. Completion of the Treasury Single Account reform and

reduced recourse to direct interventions, and exceptional spending procedures will help improve cash management and budget execution and strengthen fiscal transparency and budget credibility.

55. Urgently addressing financial and fiscal risks associated with SOEs remains a high priority. Staff urges the authorities to strengthen efforts to restructure SONARA without delays, based on a thorough cost-benefit analysis of all available options. Timely completion of the planned audits of four large SOEs is critical for mitigating contingent risks, along with the clearance of government cross-debts with SOEs and of government arrears.

56. Given Cameroon's high risk of debt distress, efforts to strengthen public debt management and limit non-concessional borrowing remain critical. Staff welcomes the authorities' commitment to limit non-concessional borrowing to macro critical projects for which concessional financing is not available, and emphasized the importance for debt sustainability of a prudential borrowing policy, steadfast implementation of structural fiscal reforms, and measures to contain SOE risks.

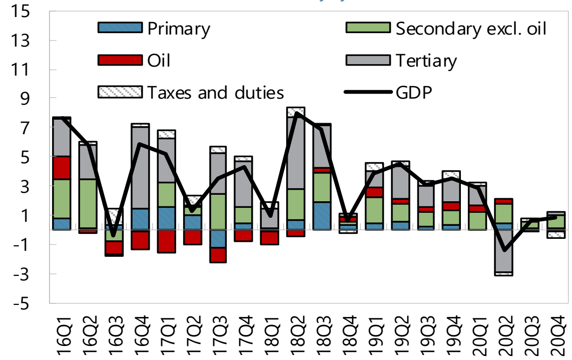
57. Steadfast commitment to strengthen transparency and good governance and reduce corruption risks will be critical. Further steps to enhance the business climate, investment efficiency, and financial inclusion are essential to unlock Cameroon's growth potential, and should be accompanied by strong efforts to protect property and investor rights and effectively enforce the anti-corruption legal framework. The authorities aim to publish the results of contracts related to COVID-19 and awarded from October 20, 2020 to end-June 2021 (Prior Action). Additionally, they intend to submit to the IMF, Prime Minister, Senate, and National Assembly the audit report of COVID-19-related expenditures by the Supreme Court's audit bench (Chambre des Comptes) and to publish the audit report by end-December 2021 *(Structural Benchmark),* and to publish a report on the execution of COVID-19-related expenditures during the 2020 budget year (Prior Action).

58. Based on the strength of the program, corrective action taken by BEAC and policy assurances contained in the June-2021 Union-wide background paper, staff supports the authorities' request for assistance under the ECF/EFF in the amount of 175 percent of quota. Staff proposes that completion of the first review under the ECF/EFF arrangements be conditional on the implementation of critical policy assurances at the union level, as established in the June 2021 union-wide background paper. These assurances are critical for the success of Cameroon's program and will help bolster the region's external sustainability.

Figure 1. Cameroon: Real Sector Developments, 2016– 21

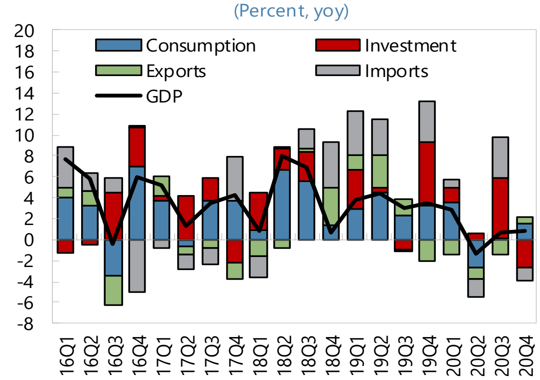
Growth contracted due to the pandemic, driven by a sharp decrease in the tertiary sector…

Growth Composition, 2016Q1-20Q4
(Percent, yoy)



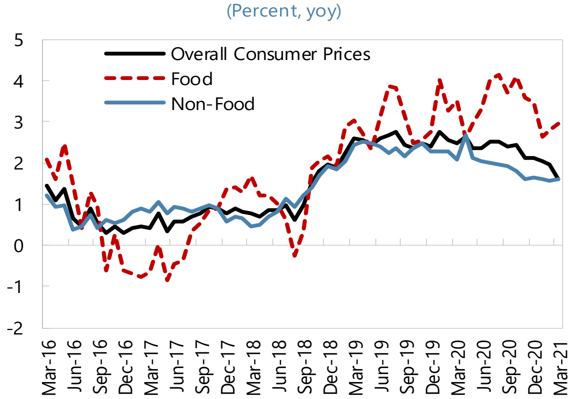
…and exports and consumption declined as lockdowns persisted.

Growth Composition, 2016Q1-20Q4
(Percent, yoy)



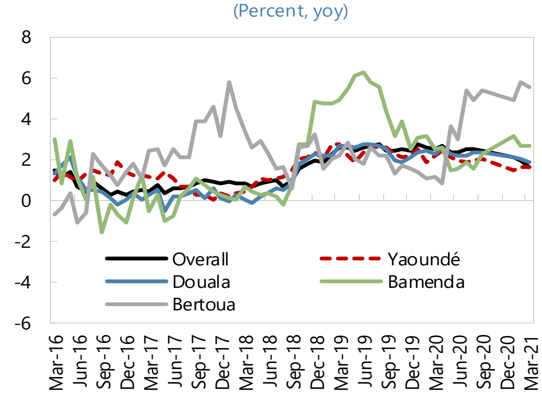
Inflation remained subdued…

Consumer Price Indices, 2016M3-21M3
(Percent, yoy)



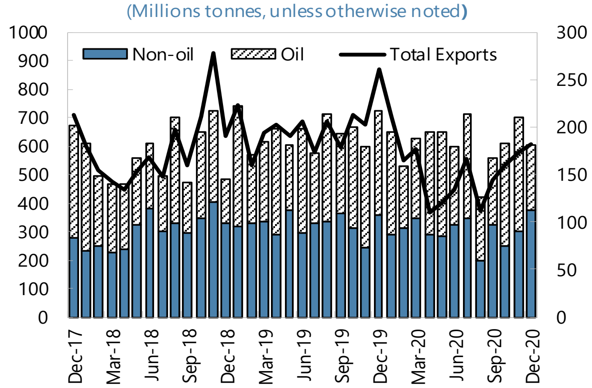
… with some regional variations.

Consumer Price Indices, 2016M3-21M3
(Percent, yoy)



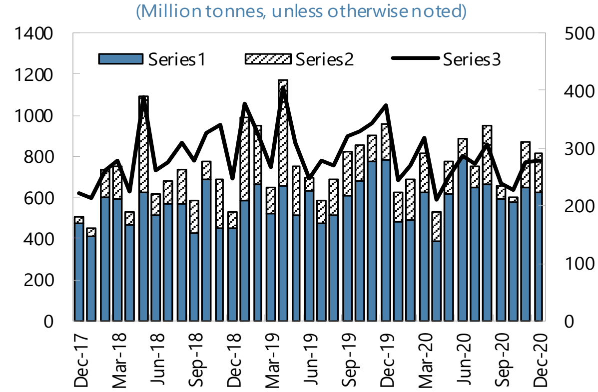
Exports decreased…

Export volume, 2017M12-20M12
(Millions tonnes, unless otherwise noted)



… and imports decreased in parallel

Import volume, 2017M12-20M12
(Million tonnes, unless otherwise noted)

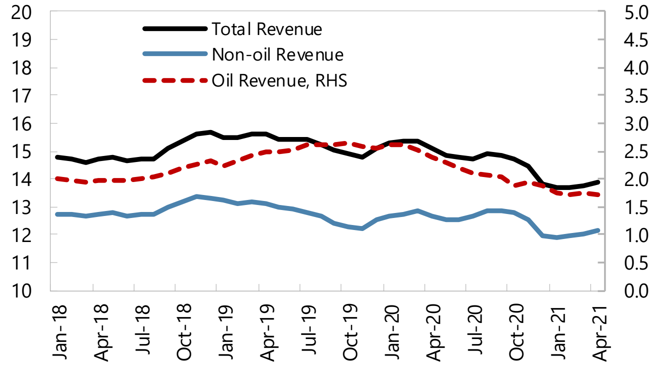


Sources: Cameroonian authorities; BEAC; and IMF staff calculations.

Figure 2. Cameroon: Fiscal Developments, 2016–21

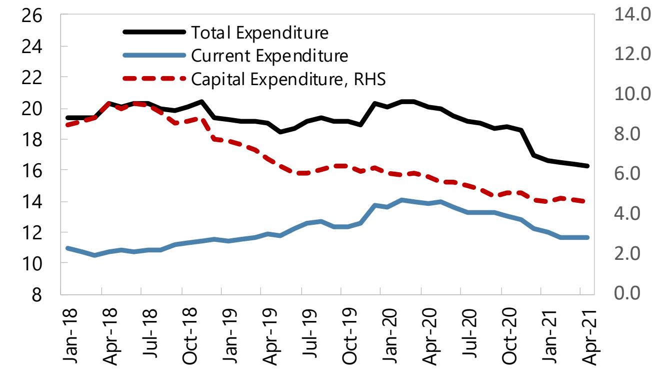
Non-oil revenue deteriorated …

Revenue and its Composition, 2018M1-21M4
(12 month total as a percentage of 12 month GDP)



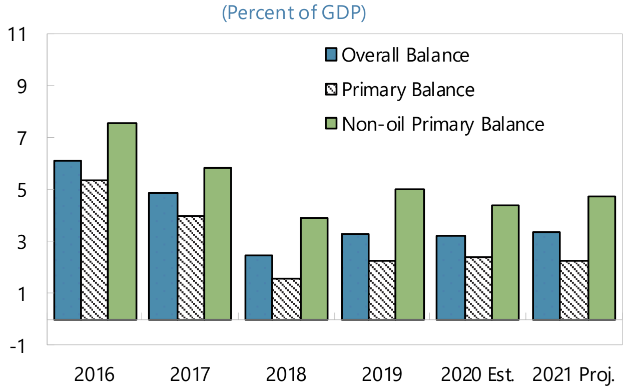
…and capital spending decreased.

Expenditure and its Composition, 2018M1-21M4
(12 month total as a percentage of 12 month GDP)



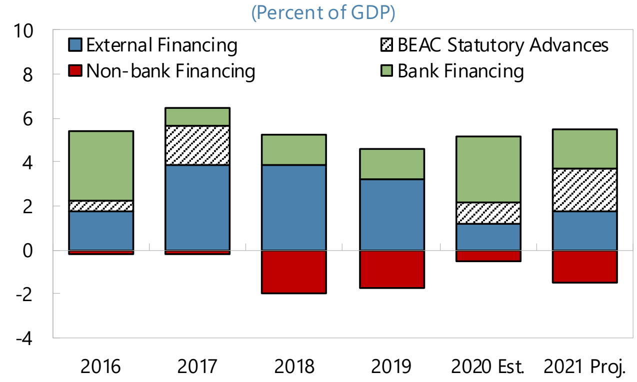
The fiscal deficit increased as authorities responded to the pandemic…

Fiscal Deficit, 2016-21p
(Percent of GDP)



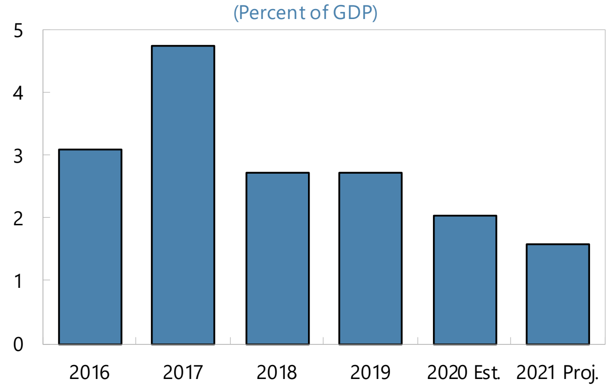
…with greater reliance on net foreign financing.

Financing, 2016-21p
(Percent of GDP)



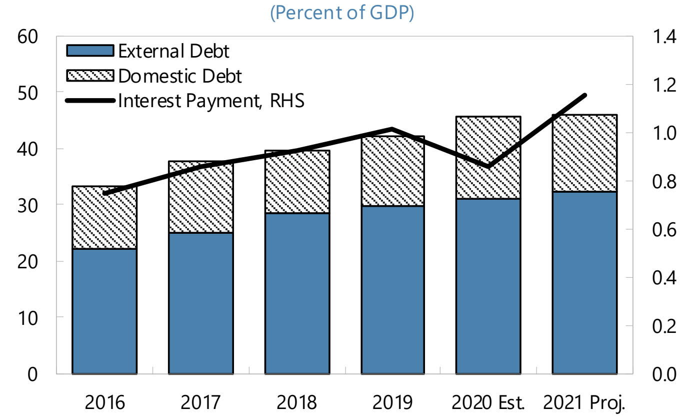
Unpaid government obligations are shrinking…

Unpaid Government Obligations, 2016-21p
(Percent of GDP)



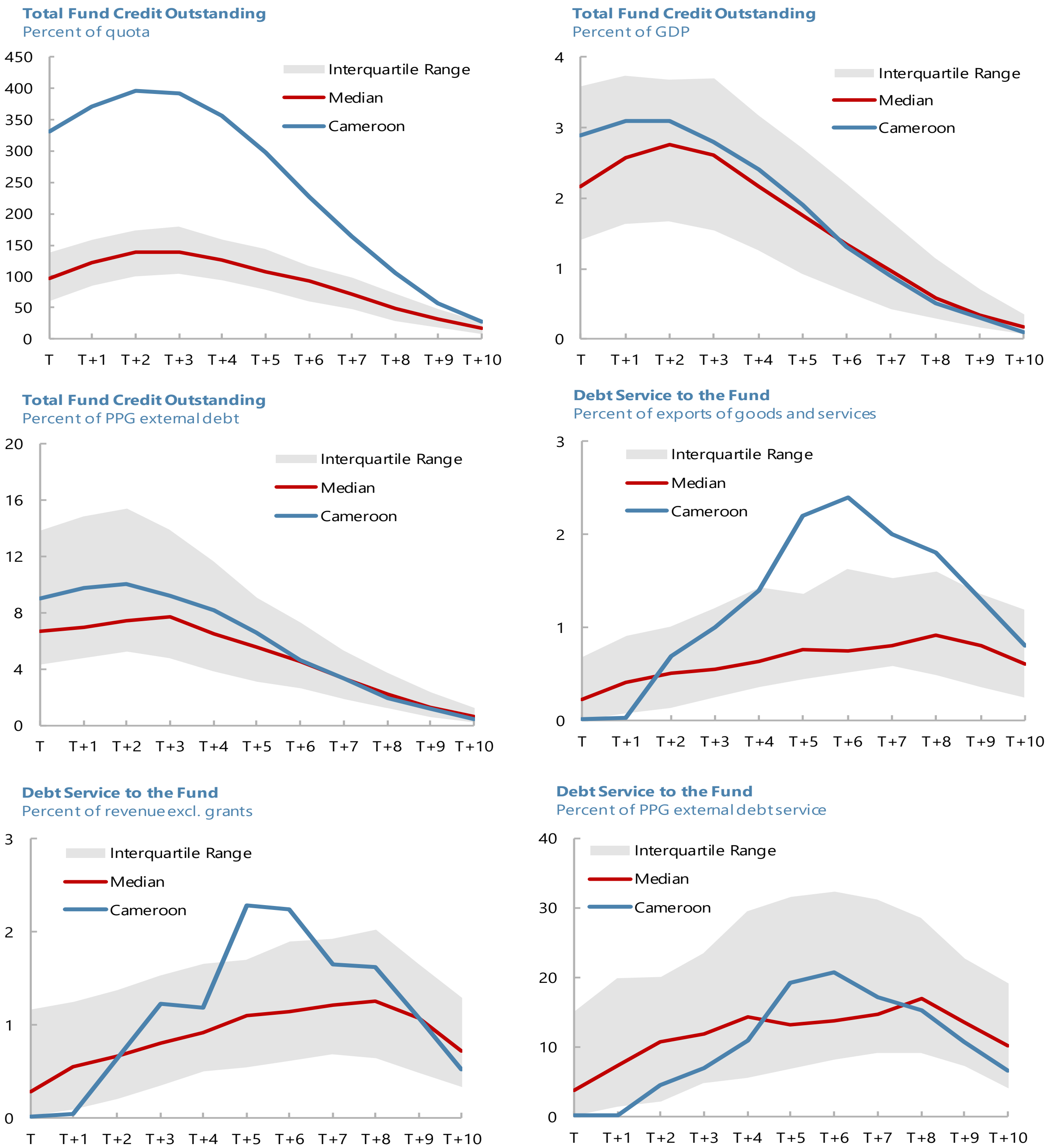
…and public debt continues to increase.

Public Debt and Interest Payments, 2016-21p
(Percent of GDP)



Sources: Cameroonian authorities; and IMF staff calculations.

Figure 3. Cameroon: Fund Credit Indicators Compared to PRGT UCT-Quality Arrangements



Main sources: Staff reports, IMF Financial Data Query Tool; and FIN staff calculations.

Notes:
1. The interquartile ranges and median are based on all PRGT UCT-arrangements (including blends) between 2010 and 2020.
2. Countries with multiple arrangements are entered as separate events in the database.
3. Period **T** refers to the year in which the arrangement was approved (control group) or the year in which the arrangement was requested (country of interest).
4. PPG refers to public and publicly guaranteed and UCT refers to upper credit tranche.

Table 1. Cameroon: Selected Economic and Financial Indicators, 2019–26
(CFAF billion, unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026
		Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
		(Annual percentage change, unless otherwise indicated)						
National account and prices								
GDP at constant prices	3.7	-1.5	3.6	4.6	4.9	5.3	5.4	5.6
Oil GDP at constant prices	8.5	2.6	0.1	0.1	0.1	0.1	0.3	0.5
Non-Oil GDP at constant prices	3.5	-1.8	3.8	4.8	5.2	5.5	5.6	5.8
GDP deflator	2.5	2.0	2.0	1.9	2.0	1.8	2.1	2.0
Nominal GDP (at market prices, CFAF billions)	22,855	22,955	24,265	25,865	27,687	29,670	31,922	34,359
Oil	935	663	947	887	888	889	892	897
Non-Oil	21,920	22,292	23,318	24,977	26,798	28,780	31,030	33,462
Consumer prices (average)	2.5	2.4	2.3	2.1	2.0	2.0	2.0	2.0
Consumer prices (eop)	2.4	2.1	2.1	2.0	2.0	2.0	2.0	2.0
Money and credit								
Broad money (M2)	6.5	12.1	8.4	8.2	8.3	9.0	9.5	7.6
Net foreign assets 1/	5.7	-0.2	2.6	2.8	2.7	4.3	5.0	6.7
Net domestic assets 1/	0.8	12.4	5.8	5.5	5.6	4.8	4.5	1.0
Domestic credit to the private sector	1.4	1.1	3.3	4.9	6.2	7.4	7.5	7.7
		(Percent of GDP, unless otherwise indicated)						
Savings and investments								
Gross national savings	26.1	22.9	24.9	27.1	28.6	30.1	31.7	33.4
Gross domestic investment	30.4	26.6	28.9	30.7	32.0	33.2	34.6	35.9
Public investment	7.0	5.1	5.6	6.1	6.3	6.6	6.8	7.4
Private investment	23.4	21.5	23.3	24.5	25.6	26.7	27.8	28.5
Central government operations								
Total revenue (including grants)	15.7	13.7	14.6	15.5	15.8	16.4	16.9	17.5
Oil revenue	2.6	1.9	2.2	2.1	1.9	1.7	1.6	1.4
Non-oil revenue	12.5	11.7	12.1	13.0	13.6	14.3	15.0	15.8
Non-oil revenue (percent of non-oil GDP)	13.1	12.0	12.6	13.4	14.0	14.7	15.4	16.2
Total expenditure	19.0	17.0	17.9	18.0	17.7	18.0	17.9	18.6
Overall fiscal balance (payment order basis)								
Excluding grants	-3.9	-3.4	-3.7	-2.9	-2.2	-2.0	-1.3	-1.4
Including grants	-3.3	-3.3	-3.4	-2.5	-1.8	-1.6	-0.9	-1.1
Overall fiscal balance (cash basis)								
Excluding grants	-3.4	-3.8	-4.1	-3.4	-2.7	-2.3	-1.3	-1.4
Including grants	-2.9	-3.6	-3.8	-3.0	-2.3	-1.9	-1.0	-1.1
Non-oil primary balance (payment basis, percent of non-oil	-5.0	-4.4	-4.6	-3.9	-3.1	-2.7	-1.8	-1.9
External sector								
Trade balance	-1.9	-1.6	-2.2	-2.5	-2.4	-2.3	-2.1	-1.8
Oil exports	5.7	3.6	5.1	4.6	4.2	4.0	3.8	3.7
Non-oil rxports	8.5	8.0	8.1	8.2	8.3	8.4	8.6	8.7
Imports	16.1	13.1	15.3	15.3	14.9	14.7	14.5	14.2
Current account balance								
Excluding official grants	-4.7	-4.0	-4.4	-4.0	-3.7	-3.5	-3.1	-2.8
Including official grants	-4.3	-3.7	-4.0	-3.5	-3.4	-3.2	-2.8	-2.5
Terms of trade	23.1	-5.6	-0.6	-6.0	-3.6	-2.9	-3.2	-3.3
Public debt								
Stock of public debt	42.3	45.8	46.2	45.6	44.4	43.1	41.0	39.2
Of which: external debt	29.9	31.1	32.3	31.8	31.3	30.6	29.9	29.3

Sources: Cameroonian authorities; and IMF staff estimates and projections using updated nominal GDP.

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

Table 2a. Cameroon: Central Government Operations, 2019–26

(CFAF billion, unless otherwise indicated)

	2019	2020	2021		2022	2023	2024	2025	2026
		Est.	Budget	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**3.584**	**3.145**	**3.385**	**3.531**	**4.003**	**4.388**	**4.855**	**5.408**	**6.024**
Total revenue	3.451	3.110	3.278	3.466	3.898	4.284	4.749	5.299	5.911
Oil sector revenue	585	428	393	536	538	523	509	506	491
Non-oil sector revenue	2.867	2.682	2.885	2.930	3.359	3.761	4.239	4.792	5.420
Direct taxes	729	732		626	762	896	1.051	1.230	1.448
Special tax on petroleum products	129	136		147	156	169	178	190	196
Other taxes on goods and services	1.451	1.277	1.866	1.462	1.676	1.884	2.087	2.317	2.583
Taxes on international trade	393	349	805	509	559	573	636	726	844
Non-tax revenue	164	189	214	187	207	239	287	329	349
Total grants	133	35	107	65	105	104	107	109	112
Projects	50	20	30	30	32	34	37	39	42
Other	83	14	77	34	73	70	70	70	70
Total expenditure	**4.338**	**3.894**	**4.079,7**	**4.353**	**4.648**	**4.894**	**5.338**	**5.700**	**6.393**
Current expenditure	2.693	2.530	2.567,7	2.761	2.854	3.051	3.295	3.545	3.848
Wages and salaries	1.016	1.014	1.069,8	1.070	1.146	1.218	1.296	1.384	1.493
Goods and services	706	734	706,9	782	797	870	950	1.041	1.141
Subsidies and transfers	740	585	528,8	629	691	761	836	895	984
Interest	232	198	262,2	281	220	203	213	225	230
External	177	138	197,0	215	154	144	151	158	158
Domestic	55	59	65,2	65	65	58	62	67	72
Capital expenditure	1.594	1.161	1.352,0	1.352	1.584	1.753	1.949	2.155	2.544
Domestically financed investment	625	630	583,2	583	733	867	974	1.102	1.411
Foreign-financed investment	927	515	733,8	734	813	847	933	1.007	1.086
Rehabilitation and participation	42	16	35,0	35	37	39	42	46	47
Net lending	51	42	-20,0	-20	-20	-20	-16	0	0
COVID-19-related spending		161	100,0	119	74				
COVID-19 vaccine procurement and delivery				81	76				
Local production stimulus fund			50,0	30	50	60	60		
Decentralization addendum special account			30,0	30	30	50	50		
Overall balance (payment order basis)									
Excluding grants	-887	-784	-802	-887	-750	-610	-589	-401	-482
Including grants	-754	-749	-695	-822	-645	-506	-483	-292	-369
CEMAC reference fiscal balance	**-951**	**-762**		**-922**	**-726**	**-574**	**-503**	**-314**	**-384**
Adjustment to cash basis	**103**	**-83**	**-67**	**-97,5**	**-141**	**-135**	**-85**	**-27**	**0**
Unexecuted payment orders (-=reduction)	0	0	0	0	0	0	0	0	0
Floats and arrears (- = reduction)	103	-83	-67	-98	-141	-135	-85	-27	0
o/w Arrears (- = reduction)	110	-79	-17	-81	-56	-50	0	0	0
o/w Floats (- = reduction)	6	8	-50	0	-50	-50	-50	0	0
o/w other arrears 1/	-14	-11	0	-17	-35	-35	-35	-27	0
Overall balance (cash basis)									
Excluding grants	-785	-867	-869	-985	-890	-745	-674	-428	-482
Including grants	-651	-832	-762	-920	-785	-641	-568	-319	-369
Financing	**651**	**832**	**402**	**483**	**526**	**418**	**472**	**319**	**369**
External financing, net	740	273	309	421	241	265	375	450	532
Amortization	-320	-222	-394	-733	-503	-547	-522	-517	-512
Drawings	1.060	495	703	1.153	744	813	897	968	1.044
Eurobond				450					
Domestic financing, net	-89	559	92	62	285	153	97	-132	-162
Banking system	315	685	380	424	355	305	275	235	230
Central Bank				74	-20	-90	-133	-188	-210
Commercial Banks				350	375	395	408	424	440
Amortization of non-structured debt	-39	-117	-16	-16	-17	-17	-17	-5	-5
Other domestic financing	-364	-9	-272	-345	-54	-135	-162	-362	-387
Financing gap	**0**	**0**	**360**	**437**	**260**	**223**	**96**	**0**	**0**
IMF Financing				**161**	**85**	**86**	**43**	**0**	**0**
ECF (2017)				0	0	0	0	0	0
RCF				0	0	0	0	0	0
Prospective ECF				54	28	29	14	0	0
Prospective EFF				107	57	57	29	0	0
Budget Support (excl. IMF)				**110**	**174**	**137**	**53**	**0**	**0**
AFDB				0	53	53	0	0	0
WB				79	106	53	53	0	0
France				0	0	0	0	0	0
EU				16	0	16	0	0	0
Other				15	15	15	0	0	0
Exceptional Financing			**100**	**166**	**0**	**0**	**0**	**0**	**0**
DSSI			100	166					
Residual gap			**260**	**0**	**0**	**0**	**0**	**0**	**0**
Memorandum items:									
Floor of social spending	711								
Primary balance (payment order basis, incl. grants)	-522	-551	-433	-542	-425	-303	-270	-67	-139
Primary balance (cash basis, incl. grants)	-420	-635	-499	-639	-566	-438	-355	-94	-139
Non-oil primary balance (payment order basis, incl. grants)	-1.107	-979	-826	-1.078	-963	-826	-779	-573	-630
Non-oil primary balance (cash basis, incl. grants)	-1.004	-1.063	-892	-1.175	-1.104	-961	-864	-601	-630
Unpaid government obligations	685	602		518	377	242	157	130	130
Float	269	280		280	230	180	130	130	130
Arrears	256	186,6		106	50	0	0	0	0
Other arrears 1/	160	149		132	97	62	27	0	0

Sources: Cameroonian authorities; and IMF staff estimates and projections with updated nominal GDP.

1/ Other arrears include the stock of unstructured debt that is held by CAA and the "floating" domestic debt at the Treasury as defined in the TMU. The payments of arrears are adjusted starting end-2018 and the stock of unpaid government obligations is adjusted starting end-2016 to reflect these operations.

Table 2b. Cameroon: Central Government Operations, 2019–26
(In percent of GDP)

	2019	2020	2021		2022	2023	2024	2025	2026
		Est.	Budget	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**15,7**	**13,7**	**13,9**	**14,6**	**15,5**	**15,8**	**16,4**	**16,9**	**17,5**
Total revenue	15,1	13,6	13,5	14,3	15,1	15,5	16,0	16,6	17,2
Oil sector revenue	2,6	1,9	1,6	2,2	2,1	1,9	1,7	1,6	1,4
Non-oil sector revenue	12,5	11,7	11,9	12,1	13,0	13,6	14,3	15,0	15,8
Direct taxes	3,2	3,2		2,6	2,9	3,2	3,5	3,9	4,2
Special tax on petroleum products	0,6	0,6		0,6	0,6	0,6	0,6	0,6	0,6
Other taxes on goods and services	6,3	5,6	7,7	6,0	6,5	6,8	7,0	7,3	7,5
Taxes on international trade	1,7	1,5	3,3	2,1	2,2	2,1	2,1	2,3	2,5
Non-tax revenue	0,7	0,8	0,9	0,8	0,8	0,9	1,0	1,0	1,0
Total grants	0,6	0,2	0,4	0,3	0,4	0,4	0,4	0,3	0,3
Projects	0,2	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
Other	0,4	0,1	0,3	0,1	0,3	0,3	0,2	0,2	0,2
Total expenditure	**19,0**	**17,0**	**16,8**	**17,9**	**18,0**	**17,7**	**18,0**	**17,9**	**18,6**
Current expenditure	11,8	11,0	10,6	11,4	11,0	11,0	11,1	11,1	11,2
Wages and salaries	4,4	4,4	4,4	4,4	4,4	4,4	4,4	4,3	4,3
Goods and services	3,1	3,2	2,9	3,2	3,1	3,1	3,2	3,3	3,3
Subsidies and transfers	3,2	2,5	2,2	2,6	2,7	2,7	2,8	2,8	2,9
Interest	1,0	0,9	1,1	1,2	0,9	0,7	0,7	0,7	0,7
External	0,8	0,6	0,8	0,9	0,6	0,5	0,5	0,5	0,5
Domestic	0,2	0,3	0,3	0,3	0,3	0,2	0,2	0,2	0,2
Capital expenditure	7,0	5,1	5,6	5,6	6,1	6,3	6,6	6,8	7,4
Domestically financed investment	2,7	2,7	2,4	2,4	2,8	3,1	3,3	3,5	4,1
Foreign-financed investment	4,1	2,2	3,0	3,0	3,1	3,1	3,1	3,2	3,2
Rehabilitation and participation	0,2	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
Net lending	0,2	0,2	-0,1	-0,1	-0,1	-0,1	-0,1	0,0	0,0
COVID-19-related spending	0,0	0,7	0,4	0,5	0,3	0,0	0,0	0,0	0,0
COVID-19 vaccine procurement and delivery	0,0	0,0	0,0	0,3	0,3	0,0	0,0	0,0	0,0
Local production stimulus fund	0,0	0,0	0,2	0,1	0,2	0,2	0,2	0,0	0,0
Decentralization addendum special account	0,0	0,0	0,1	0,1	0,1	0,2	0,2	0,0	0,0
Overall balance (payment order basis)									
Excluding grants	-3,9	-3,4	-3,3	-3,7	-2,9	-2,2	-2,0	-1,3	-1,4
Including grants	-3,3	-3,3	-2,9	-3,4	-2,5	-1,8	-1,6	-0,9	-1,1
CEMAC reference fiscal balance	**-4,2**	**-3,3**	**0,0**	**-3,8**	**-2,8**	**-2,1**	**-1,7**	**-1,0**	**-1,1**
Adjustment to cash basis	**0,4**	**-0,4**	**-0,3**	**-0,4**	**-0,5**	**-0,5**	**-0,3**	**-0,1**	**0,0**
Unexecuted payment orders (-=reduction)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Floats and arrears (- = reduction)	0,4	-0,4	-0,3	-0,4	-0,5	-0,5	-0,3	-0,1	0,0
o/w Arrears (- = reduction)	0,5	-0,3	-0,1	-0,3	-0,2	-0,2	0,0	0,0	0,0
o/w Floats (- = reduction)	0,0	0,0	-0,2	0,0	-0,2	-0,2	-0,2	0,0	0,0
o/w other arrears 1/	-0,1	0,0	0,0	-0,1	-0,1	-0,1	-0,1	-0,1	0,0
Overall balance (cash basis)									
Excluding grants	-3,4	-3,8	-3,6	-4,1	-3,4	-2,7	-2,3	-1,3	-1,4
Including grants	-2,9	-3,6	-3,1	-3,8	-3,0	-2,3	-1,9	-1,0	-1,1
Financing	**2,9**	**3,6**	**1,7**	**2,0**	**2,0**	**1,5**	**1,6**	**1,0**	**1,1**
External financing, net	3,2	1,2	1,3	1,7	0,9	1,0	1,3	1,4	1,5
Amortization	-1,4	-1,0	-1,6	-3,0	-1,9	-2,0	-1,8	-1,6	-1,5
Drawings	4,6	2,2	2,9	4,8	2,9	2,9	3,0	3,0	3,0
Eurobond				1,9					
Domestic financing, net	-0,4	2,4	0,4	0,3	1,1	0,6	0,3	-0,4	-0,5
Banking system	1,4	3,0	1,6	1,7	1,4	1,1	0,9	0,7	0,7
o/w statutory advances from BEAC	0,0	0,0	0,0	0,1	-0,2	-0,2	-0,2	-0,2	-0,2
Amortization of non-structured debt	-0,2	-0,5	-0,1	-0,1	-0,1	-0,1	-0,1	0,0	0,0
Other domestic financing	-1,6	0,0	-1,1	-1,4	-0,2	-0,5	-0,5	-1,1	-1,1
Financing gap	**0,0**	**0,0**	**1,5**	**1,8**	**1,0**	**0,8**	**0,3**	**0,0**	**0,0**
IMF Financing			**0,0**	**0,7**	**0,3**	**0,3**	**0,1**	**0,0**	**0,0**
ECF (2017)			0,0	0,0	0,0	0,0	0,0	0,0	0,0
RCF			0,0	0,0	0,0	0,0	0,0	0,0	0,0
Prospective ECF			0,0	0,2	0,1	0,1	0,0	0,0	0,0
Prospective EFF			0,0	0,4	0,2	0,2	0,1	0,0	0,0
Budget Support (excl. IMF)			**0,0**	**0,5**	**0,7**	**0,5**	**0,2**	**0,0**	**0,0**
Exceptional Financing			**0,4**	**0,7**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
DSSI			0,4	0,7	0,0	0,0	0,0	0,0	0,0
Residual gap	**0,0**	**0,0**	**1,1**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
Memorandum items:	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Floor of social spending	3,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Primary balance (payment order basis, incl. grants)	-2,3	-2,4	-1,8	-2,2	-1,6	-1,1	-0,9	-0,2	-0,4
Primary balance (cash basis, incl. grants)	-1,8	-2,8	-2,1	-2,6	-2,2	-1,6	-1,2	-0,3	-0,4
Non-oil primary balance (payment order basis, incl. grants)	-4,8	-4,3	-3,4	-4,4	-3,7	-3,0	-2,6	-1,8	-1,8
Non-oil primary balance (cash basis, incl. grants)	-4,4	-4,6	-3,7	-4,8	-4,3	-3,5	-2,9	-1,9	-1,8
Unpaid government obligations	3,0	2,6	0,0	2,1	1,5	0,9	0,5	0,4	0,4
Float	1,2	1,2	0,0	1,2	0,9	0,7	0,4	0,4	0,4
Arrears	1,1	0,8	0,0	0,4	0,2	0,0	0,0	0,0	0,0
Other arrears 1/	0,7	0,6	0,0	0,5	0,4	0,2	0,1	0,0	0,0

Sources: Cameroonian authorities; and IMF staff estimates and projections with updated nominal GDP.

1/ Other arrears include the stock of unstructured debt that is held by CAA and the "floating" domestic debt at the Treasury as defined in the TMU. The payments of arrears are adjusted starting end-2018 and the stock of unpaid government obligations is adjusted starting end-2016 to reflect these operations.

Table 3. Cameroon: Balance of Payments, 2019–26
(CFAF billion, unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026
		Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
				(CFAF billion)				
Current account balance	**-992**	**-845**	**-964**	**-915**	**-936**	**-941**	**-903**	**-863**
Trade balance	-432	-358	-530	-646	-670	-693	-658	-613
Exports, goods	3.238	2.651	3.185	3.300	3.461	3.682	3.970	4.267
Oil and oil products	1.292	825	1.228	1.182	1.173	1.186	1.225	1.281
Non-oil sector	1.946	1.826	1.958	2.117	2.288	2.496	2.745	2.986
Imports, goods	-3.670	-3.009	-3.715	-3.946	-4.132	-4.375	-4.628	-4.880
Services (net)	-362	-219	-262	-246	-271	-282	-285	-289
Exports, services	1.295	958	1.093	1.362	1.398	1.498	1.619	1.744
Imports, services	-1.656	-1.177	-1.355	-1.608	-1.668	-1.780	-1.903	-2.033
Income (net)	-494	-509	-472	-368	-326	-319	-338	-356
Of which: interest due on public debt	-177	-138	-197	-154	-144	-151	-158	-158
Transfers (net)	295	241	300	345	332	353	377	396
Inflows	458	379	444	498	494	525	560	592
Outflows	-163	-138	-144	-153	-162	-172	-184	-196
Capital and financial account balance	**1.071**	**434**	**851**	**877**	**948**	**1.178**	**1.334**	**1.495**
Capital account	50	20	30	32	34	37	39	42
Capital transfers	50	20	30	32	34	37	39	42
Financial account	1.020	413	821	846	914	1.142	1.295	1.452
Official capital	557	273	421	241	265	375	450	533
Borrowing	877	495	1.153	744	813	897	968	1.044
Amortization	-320	-222	-733	-503	-547	-522	-517	-512
Non-official capital (net)	782	358	480	644	709	797	874	950
of which: Foreign direct investment	527	332	466	625	701	788	865	940
Short-term private capital, net	-319	-219	-80	-40	-60	-30	-30	-30
Errors and omissions	**84**	**361**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**163**	**-51**	**-113**	**-38**	**12**	**237**	**431**	**632**
Financing	**-163**	**51**	**113**	**38**	**-12**	**-237**	**-431**	**-632**
Bank of Central African States	-192	51	-324	-222	-203	-284	-355	-501
IMF Repayments	-15	0	0	0	-32	-49	-75	-131
Financing gap	0	0	437	260	223	96	0	0
IMF Financing			161	85	86	43	0	0
ECF (2017)			0	0	0	0	0	0
RCF			0	0	0	0	0	0
Prospective ECF			54	28	29	14	0	0
Prospective EFF			107	57	57	29	0	0
Budget Support (excl. IMF)			110	174	137	53	0	0
Exceptional Financing			166	0	0	0	0	0
DSSI			166	0	0	0	0	0
Residual gap			0	0	0	0	0	0
				(Percent of GDP)				
Trade balance	**-1,9**	**-1,6**	**-2,2**	**-2,5**	**-2,4**	**-2,3**	**-2,1**	**-1,8**
Oil exports	5,7	3,6	5,1	4,6	4,2	4,0	3,8	3,7
Non-oil exports	8,5	8,0	8,1	8,2	8,3	8,4	8,6	8,7
Imports	16,1	13,1	15,3	15,3	14,9	14,7	14,5	14,2
Current account balance								
Including grants	-4,3	-3,7	-4,0	-3,5	-3,4	-3,2	-2,8	-2,5
Excluding grants	-4,7	-4,0	-4,4	-4,0	-3,7	-3,5	-3,1	-2,8
Overall balance	**0,7**	**-0,2**	**-0,5**	**-0,1**	**0,0**	**0,8**	**1,3**	**1,8**
Foreign direct investment	**2,3**	**1,4**	**1,9**	**2,4**	**2,5**	**2,7**	**2,7**	**2,7**
				(Percentage change, unless otherwise indicated)				
Export volume	-1,4	-5,9	6,2	12,1	10,3	9,3	9,6	8,2
Crude oil	31,2	-2,5	1,6	1,6	1,6	1,6	1,8	2,0
Nonoil	-7,1	-6,8	7,4	14,6	12,1	10,8	11,0	9,2
Import volume	22,5	-10,6	12,0	8,0	6,1	5,6	4,1	2,7
Terms of trade	23,1	-5,6	-0,6	-6,0	-3,6	-2,9	-3,2	-3,3
Non-oil export price index	13,6	0,6	-0,2	-5,7	-3,6	-1,5	-0,9	-0,4
Export price index	13,8	-13,0	13,1	-7,6	-4,8	-2,7	-1,6	-0,7
Import price index	-7,5	-7,9	13,8	-1,7	-1,3	0,3	1,6	2,7
Oil price ($US dollars per barrel)	61,4	41,3	58,5	54,8	52,5	51,3	50,7	50,5

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

Table 4. Cameroon: Monetary Survey, 2019–26
(CFAF billion, unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026
		Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	**2,371**	**2,359**	**2,522**	**2,708**	**2,908**	**3,248**	**3,678**	**4,310**
Bank of Central African States (BEAC)	1,653	1,340	1,503	1,689	1,889	2,229	2,659	3,291
Of which : BEAC foreign assets	2,199	2,148	2,473	2,745	2,997	3,331	3,686	4,187
Of which: IMF credit	-302	-547	-708	-793	-847	-840	-765	-634
Commercial banks	718	1,019	1,019	1,019	1,019	1,019	1,019	1,019
Net domestic assets	**3,204**	**3,893**	**4,253**	**4,624**	**5,031**	**5,408**	**5,801**	**5,893**
Domestic credit	4,030	4,883	5,553	6,096	6,638	7,110	7,603	7,918
Net claims on the public sector	992	1,832	2,417	2,807	3,148	3,366	3,581	3,588
Net credit to the central government	1,203	1,890	2,474	2,864	3,205	3,473	3,708	3,936
Central Bank	421	785	928	993	989	899	711	496
Claims	879	1,123	1,306	1,333	1,329	1,265	1,132	944
Credit under statutory ceiling	577	577	598	540	483	425	367	309
Counterpart of IMF credit	302	547	708	793	847	840	765	634
Deposits	-458	-339	-377	-340	-340	-366	-421	-448
Commercial Banks	782	1,105	1,546	1,921	2,316	2,724	3,148	3,588
Claims on the Treasury	820	1,196	1,546	1,921	2,316	2,724	3,148	3,588
Deposits	-38	-91	0	0	0	0	0	0
Deposits of other public entities	-460	-443	-443	-443	-443	-493	-513	-733
Credit to autonomous agencies	19	27	27	27	27	27	27	27
Credit to the economy 1/	3,268	3,409	3,494	3,647	3,848	4,103	4,380	4,687
Credit to public enterprises	230	358	358	358	358	358	358	358
Credit to financial institutions	68	49	35	35	35	35	35	35
Credit to the private sector	2,970	3,002	3,101	3,253	3,455	3,709	3,986	4,294
Other items (net)	-826	-990	-1,300	-1,472	-1,607	-1,702	-1,802	-2,025
Broad money	**5,575**	**6,252**	**6,775**	**7,332**	**7,938**	**8,656**	**9,479**	**10,203**
Currency outside banks	1,152	1,334	1,438	1,550	1,671	1,815	1,979	2,124
Deposits	4,423	4,918	5,336	5,782	6,267	6,841	7,500	8,079
Memorandum items:								
Net borrowing from the central bank excluding IMF	119	238	220	200	143	59	-54	-139
Contribution to the growth of broad money (percentage points)								
Net foreign assets	5.7	-0.2	2.6	2.8	2.7	4.3	5.0	6.7
Net domestic assets	0.8	12.4	5.8	5.5	5.6	4.8	4.5	1.0
Of which : net credit to the central government	6.1	12.3	9.4	5.8	4.6	3.4	2.7	2.4
Credit to the economy (annual percentage change)	1.1	4.3	2.5	4.4	5.5	6.6	6.8	7.0
Credit to the private sector								
Annual percentage change	1.4	1.1	3.3	4.9	6.2	7.4	7.5	7.7
In percent of GDP	13.0	13.1	12.8	12.6	12.5	12.5	12.5	12.5
Broad money (annual percentage change)	6.5	12.1	8.4	8.2	8.3	9.0	9.5	7.6
Currency outside banks	9.0	15.8	7.8	7.7	7.8	8.6	9.1	7.3
Deposits	5.9	11.2	8.5	8.4	8.4	9.2	9.6	7.7
Velocity (GDP/average M2)	4.1	3.7	3.6	3.5	3.5	3.4	3.4	3.4

Sources: BEAC; and IMF staff estimates and projections.

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

Table 5. Cameroon: Capacity to Repay the Fund, 2021–35

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Fund obligations based on existing credit															
(SDR millions)															
Principal	-	-	41.4	63.5	96.6	140.8	140.8	99.4	77.3	44.2	-	-	-	-	-
Charges and interest	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Fund obligations based on existing and prospective credit (SDR, millions)[1]															
Principal	-	-	41.4	63.5	96.6	166.8	194.7	173.0	161.3	130.0	85.9	44.2	24.5	4.9	-
Charges and interest	1.0	2.0	2.8	3.4	3.5	3.4	3.1	2.7	2.1	1.6	1.0	0.5	0.3	0.1	0.1
Total obligations based on existing and prospective credit															
SDR millions	1.0	2.0	44.2	66.9	100.1	170.2	197.8	175.6	163.4	131.6	86.9	44.7	24.8	5.0	0.1
CFAF billions	0.8	1.5	34.3	52.0	78.1	133.2	154.9	137.5	127.9	103.0	68.0	35.0	19.4	3.9	0.1
Percent of government revenue	0.0	0.0	0.8	1.1	1.4	2.2	2.4	2.0	1.7	1.2	0.8	0.4	0.2	0.0	0.0
Percent of exports of goods and services	0.0	0.0	0.7	1.0	1.4	2.2	2.4	2.0	1.8	1.3	0.8	0.4	0.2	0.0	0.0
Percent of debt service[2]	0.1	0.2	5.0	7.7	11.6	19.9	23.1	21.3	18.1	13.7	7.1	3.7	2.0	0.5	0.0
Percent of GDP	0.0	0.0	0.1	0.2	0.2	0.4	0.4	0.3	0.3	0.2	0.1	0.1	0.0	0.0	0.0
Percent of quota	0.4	0.7	16.0	24.2	36.3	61.7	71.7	63.6	59.2	47.7	31.5	16.2	9.0	1.8	0.0
Percent of gross reserves	0.0	0.1	1.1	1.6	2.1	3.2	3.3	2.5	2.1	1.5	0.9	0.4	0.2	0.0	0.0
Outstanding IMF credit based on existing and prospective drawings															
SDR millions	910.8	1,021.2	1,090.2	1,081.9	985.3	818.5	623.8	450.8	289.5	159.5	73.6	29.4	4.9	0.0	0.0
CFAF billions	708.7	790.9	846.5	841.7	768.8	640.7	488.3	352.9	226.6	124.8	57.6	23.0	3.8	0.0	0.0
Percent of government revenue	20.1	19.8	19.3	17.3	14.2	10.6	7.5	5.1	3.0	1.5	0.6	0.2	0.0	0.0	0.0
Percent of exports of goods and services	16.6	17.0	17.4	16.2	13.8	10.7	7.6	5.2	3.1	1.6	0.7	0.3	0.0	0.0	0.0
Percent of debt service[2]	74.8	120.3	122.3	125.2	113.9	95.6	73.0	54.6	32.0	16.5	6.0	2.4	0.4	0.0	0.0
Percent of GDP	2.9	3.1	3.1	2.8	2.4	1.9	1.3	0.9	0.5	0.3	0.1	0.0	0.0	0.0	0.0
Percent of quota	330.0	370.0	395.0	392.0	357.0	296.6	226.0	163.3	104.9	57.8	26.7	10.7	1.8	0.0	0.0
Net use of Fund credit (SDR millions)	207.0	110.4	71.8	-4.9	-93.1	-163.5	-191.7	-170.3	-159.2	-128.5	-84.9	-43.6	-24.3	-4.8	0.1
Disbursements	207.0	110.4	113.2	58.6	3.5	3.4	3.1	2.7	2.1	1.6	1.0	0.5	0.3	0.1	0.1
Repayments and repurchases	0.0	0.0	41.4	63.5	96.6	166.8	194.7	173.0	161.3	130.0	85.9	44.2	24.5	4.9	0.0
Memorandum items: (CFAF billions)															
Nominal GDP	24,265	25,865	27,687	29,670	31,922	34,359	36,878	39,716	42,800	46,138	49,756	53,649	57,856	62,389	67,276
Exports of goods and services	4,278	4,661	4,859	5,180	5,588	6,011	6,435	6,810	7,215	7,651	8,120	8,616	9,149	9,721	10,336
Government revenue	3,531	4,003	4,388	4,855	5,408	6,024	6,471	6,980	7,596	8,265	8,933	9,647	10,436	11,275	12,232
Debt service[2]	948	657	692	673	675	670	669	646	708	755	961	956	982	873	922
CFAF per SDR (period average)	778.1	774.5	776.5	778.0	780.3	782.8	782.8	782.8	782.8	782.8	782.8	782.8	782.8	782.8	782.8

Source: IMF staff estimates and projections.

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

2/ Total debt service includes IMF repurchases and repayments.

Quota (in SDRs) 276,000,000

Table 6. Cameroon: Financial Soundness Indicators, 2016– 20

(Percent)

	2016	2017	2018	2019	2020 [1]	CEMAC Average 2018	CEMAC Average 2019	CEMAC Average 2020 [1]
Capital adequacy								
Total bank regulatory capital to risk-weighted assets [2,3]	9.1	9.7	10.8	10.7	14.0	15.0	11.6	13.1
Total capital (net worth) to assets	7.5	7.8	8.7	8.9	9.4	10.9	10.9	11.9
Asset quality								
Non-performing loans to total loans	10.7	10.8	12.4	12.8	16.0	17.0	18.0	20.7
Non-performing loans net of provision to capital	12.1	6.0	7.6	7.0	….	33.5	32.8	….
Earnings and profitability								
Net income to average capital (ROE)	20.6	27.9	22.4	24.7	…	18.5	17.1	…
Net income to average assets (ROA) [4]	1.6	2.2	1.9	2.1	…	2.0	1.9	…
Non interest expense to gross income	89.6	88.2	87.3	96.5	…	…	…	…
Liquidity								
Liquid assets to total assets	23.2	24.2	26.4	25.9	30.3	26.5	25.1	27.9
Liquid assets to short-term liabilities	148.7	149.3	162.4	161.9	180.3	162.1	153.5	167.6

Source: Cameroonian authorities and le Banque des Etats de l'Afrique Centrale (BEAC)

1/ Provisional data.

2/ Current year profits are excluded from the definition of regulatory capital, following the Basel I capital accord guidelines. General provisions are included in Tier 2 capital up to an amount equal to 1.25% of risk-weighted assets. Regulatory capital is the sum of Tier 1 capital, and the minimum of Tier 1 and Tier 2

3/ The risk-weighted assets are estimated using the following risk weights: 0% - cash reserves in domestic and foreign currency and claims on the

4/ The ratio of after-tax profits to the average of beginning and end-period total assets.

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

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

Source: IMF staff calculations.

1/ Cameroon's current quota is SDR 276.0 million.

Annex I. Risk Assessment Matrix[1]

Source of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
Unexpected downside shifts in the Covid-19 pandemic	Medium	**High** Growth falls and public financing needs increase sharply, leading to higher fiscal and external financing gap and undermining debt sustainability.	Step up spending on health and social protection, and adopt measures to contain the spread of the pandemic while limiting its impact on the economy.
Unexpected upside shifts in the Covid-19 pandemic	Medium	**Low** Faster than expected containment of the pandemic leading to faster than expected growth recovery and boosting commodity prices.	Leverage unexpected gains to bolster fiscal space and catalyze the structural reform agenda.
Sharp rise in global risk premia exposes financial and fiscal vulnerabilities	Medium	**Medium** Sharp increase in global risk premia exacerbating financial and fiscal vulnerabilities	Accelerate structural reforms to reduce macoeconomic imbalances and boost investor confidence. Enhance bank supervision and regulation to reduce risk exposure; encourage digital financial inclusion.
Widespread social discontent and political instability	High	**High** Social tensions erupt as the pandemic and inadequate policy response cause socio-economic hardship in part due to unequal access to vaccines. Growing political polarization and instability weaken policymaking and confidence.	Strengthen social safety net and accelerate structural reforms to enhance social cohesion.
Oversupply and volatility in the oil market.	Medium	**High** Higher supply and lower demand leading to renewed weakness in energy prices.	Widen the non-oil tax base, increase efficiency of the national oil refinery (SONARA) and spur competition in the oil import sector.
Cyber attacks	Medium	**Medium** Cyber attacks on critical global financial, transport or communication infrastructure and broader private and public institutions trigger systemic financial instability or widespread disruptions in socio-economic activities	Enhance investment in IT system and increase awareness of cyber security
Spillovers from other CEMAC countries	High	**High** Worsening economic situation of other CEMAC countries could affect Cameroon through extra pressure in the payment and banking systems.	Coordinate with other CEMAC countries to build additional buffers through fiscal consolidation and structural reforms.
Spillovers of the regional security situation	Medium	**High** A deterioration of the regional security situation would lead to an increase in displaced populations, a costlier security response, and decline of investment in affected regions.	Provide space for higher security expenditure in the budget by curtailing unproductive public investments; prepare contingency plans for refugees with UNHCR.
Contingent risks from state-owned enterprises	Medium	**High** Contingent risks from state-owned enterprises could impose further pressures on public debt and the ongoing fiscal consolidation under the program.	Contain the risks by enhanced monitoring and timely reporting of the risks of the state-owned enterprises and developing strategies to reduce the state aid to these companies.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of the discussions with the authorities. Non- mutually exclusive risks may interact and materialize jointly. "Short term" and "medium term" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

Annex II. Implementation of ECF And RCF Commitments

This note provides an overview of Cameroon's performance under the three-year Extended Credit Facility (ECF) arrangement approved by the IMF Executive Board on June 26, 2017, and the implementation of commitments under the Rapid Credit Facility (RCF). Cameroon achieved notable progress under the program, especially in stabilizing the economy and initiating structural reforms for stronger growth in the medium term. However, the COVID-19 pandemic sharply deteriorated fiscal and external balances, necessitating two drawings under the RCF. The program commitments under the RCFs are included in the proposed program as Prior Actions and Structural Benchmarks.

1. **The three-year program supported by the ECF aimed to lay out a path for Cameroon to achieve a sustained economic recovery and higher more inclusive growth.** With a total access of SDR 483 million (about US$ 680.7 million or 175 percent of Cameroon's quota), the program was founded on three main policy pillars (i) frontloaded fiscal consolidation to strengthen fiscal and external buffers, while protecting social spending and social safety nets (ii) structural fiscal reforms to expand non-oil revenue base, improve the efficiency of public investment and the quality of the budgetary system, and mitigate fiscal risks from contingent liabilities (iii) reforms to accelerate private-sector-led economic diversification and boost the resilience of the financial sector, in close alignment with other development partners.

2. **Cameroon's performance under the program was broadly satisfactory.** The program helped restore financial viability and external stability, through a combination of fiscal adjustment and appropriate monetary policy. Real GDP growth averaged 4 per cent in 2016-19 and the program also helped lay some foundations for strong, sustainable, and inclusive growth in the medium term. The authorities launched critical structural fiscal reforms to expand non-oil revenue base, improve the efficiency of public investment, strengthen budgetary systems, and boost the financial sector resilience. Nevertheless, significant debt vulnerabilities persist, and key reforms have yet to be completed.

3. **Following five successful reviews, the ECF arrangement expired on September 30, 2020 after the onset of the COVID-19 pandemic.** Performance in relation to quantitative performance criteria, commitments and structural benchmarks was broadly satisfactory as summarized in tables 1- 3[1]. in 2020, the IMF's Executive Board has approved two disbursements for Cameroon under the RCF, totaling SDR 276 million, about US$ 382 million or 100 percent of quota.

A. Fiscal Consolidation, while Protecting Social Spending

4. **A key objective under the program was to strengthen fiscal and external buffers, while protecting social spending and social safety nets.** This meant improving the prioritization of public investment, and rationalizing the government's spending on goods and services, while expanding essential spending to protect the most vulnerable populations. To this end, the program included a floor on social spending, designed in cooperation with the World Bank. In addition, the

[1] Outstanding structural benchmarks have been incorporated into the hew program design as prior actions or new benchmarks as appropriate.

program aimed to expand the non-oil revenue base. and to enhance spending efficiency, to help create fiscal space for infrastructure investment and other priorities.

5. **Notable progress was achieved in strengthening fiscal and external buffers, but social spending, remains low.** The authorities managed to reduce the overall fiscal balance from 5.1 percent of GDP in 2016 to 2.9 percent in 2019 and to help replenish regional buffers. Cameroon has delivered on most of its commitments to support the BEAC's new foreign exchange regulations, helping to move regional reserve coverage ratio from 2.3 months of imports in 2017 to 3.5 months of imports in 2019. However, social spending remains low compared to other SSA countries. Cameroon ranks 139 out of 157 in the Human Capital Index, and little progress has been made in establishing an effective cash transfer mechanism.

B. Structural Reforms to Expand the Non-Oil Revenue Base, Improve Public Investment Efficient and the Quality of Budget Execution

6. **Although progress was slow in some areas, the authorities implemented key structural reforms to boost non-oil revenue collection.** Key reforms include strengthening the exchange of information between the tax and customs administrations and improving the interface between the active taxpayer database and tax management. Non-oil revenues reached around 15.7 percent of GDP in 2019, up from 15.0 percent of GDP in 2017, broadly in line with program objectives. Exemptions and other tax expenditures continue to constrain revenue collection, with limited benefits for the poorest. Further efficiency gains are expected with ongoing initiatives to simplify procedures and adopt digital solutions.

7. **Progress in enhancing public financial management (PFM) has been mixed.** The authorities have made significant efforts to improve budget preparation, and quality of expenditure, and to develop a medium-term budget framework. They have also implemented CEMAC Directives that were already transposed into national law, and promulgated laws relating to the PFM code of transparency and good governance. However, significant weaknesses remain. Budget execution does not guarantee full compliance with parliamentary authorization. Spending needs, commitments, and cash implementation are often underestimated, and significant amounts are executed through exceptional procedures or SNH's direct interventions. Additionally, public investment execution rates remain low, with high management costs and delays.

C. Public Debt Management

8. **The pace of debt accumulation remains challenging**. The public debt burden has increased steadily from 33.3 percent in 2016 to reach 42.7 percent of GDP at end-2019, with the external debt stock amounting to 31.2 percent of GDP. Around 40 percent of external debt is on concessional terms. The monitoring of contingent liabilities remains insufficient, despite the high risks posed by SOEs. However, broadening the debt perimeter to include SONARA contributed to the observed increased indebtedness.

9. **While Cameroon has an MTDS since 2010, implementation remains challenging.** All project financing proposals, including from public enterprises included in the scope of public debt,

and PPP projects are examined by the National Public Debt Committee (CNDP). All new loan agreements require unconditional approval from the CNDP, and the procedures and responsibilities have been clarified in a manual adopted and published in September 2019. However, Cameroon's large stock of SENDs points to a lack of consistency between the MTDS and project planning.

D. Accelerating Private-Sector-led Economic Diversification, Improving the Business Environment, and Boosting Financial Sector Resilience.

10. Progress on reforms to improve Cameroon's investment climate has been slow. While Cameroon has performed better than other CEMAC countries, it still ranks among the poor performers (167 out of 199 according to the World Bank's 2020 Doing Business report). Challenges relate to constraints in starting a business, getting electricity, obtaining construction permits, paying taxes, registering property, and enforcing contracts. Cameroon is a member of EITI since 2007.

11. The authorities made notable progress on reforms to strengthen financial sector stability and inclusion. These include generalizing access to creditor databases to all credit and microfinance institutions and computerizing the register of movable securities. The authorities also adopted a resolution plan for troubled banks in consultation with IMF staff and COBAC and formulated a national strategy in the context of the BEAC regional financial inclusion strategy project.

E. Follow-up on RCF Commitments

12. The authorities committed to i) publishing after the RCF-2 Board date on the website of the Public Procurement Regulatory Agency and within 30 days of the award on any contract, the results of public procurement awarded by the government and the beneficial ownership of companies receiving procurement contracts; ii) issuing a semi-annual report on COVID-19 related spending; and iii) commissioning an audit of this spending at the end of the 2020 fiscal year and publishing the results. An update of the authorities' fulfilment of the conditions is shown in Table 3. The outstanding commitments are included in the proposed program either as prior actions (actions i) and ii)) or structural benchmark (action iii)).

Table 1. Cameroon: Observance of Quantitative Performance Criteria and Indicative Targets under 2017 ECF

	Status				
	1st review	2nd review	3rd review	4th review	5th review
A. Quantitative performance criteria and indicative targets 1/					
Floor on the non-oil primary fiscal balance (payment order basis)	Met	Not met	Met	Met	Met
Ceiling on the net domestic financing of the central government excluding IMF financing 2/	Met	Met	Met	Met	Met
Ceiling on net borrowing of the central government from the central bank excluding IMF financing 2/	Met	Not met	Not met	Not met	Met
Ceiling on the disbursement of non-concessional external debt	Met	Not met	Met	Met	Met
B. Continuous quantitative performance criteria					
Ceiling on the accumulation of new external payments arrears 3/	Met	Met	Met	Met	Met
Ceiling on new non-concessional external debt contracted or guaranteed by the government 4/	Met	Not met	Met	Met	Met
C. Indicative Targets					
Floor on non-oil revenue	Met	Met	Not met	Met	Not met
Ceiling on the net accumulation of domestic payment arrears	Met	Met	Met	Met	Not met
Floor on social spending	Met	Met	Met	Met	Not met
Ceiling on direct interventions of SNH	Met	Not Met	Met	Not met	Met
Share of spending executed through exceptional procedures on authorized (payment order) spending 7/	---	---	---	Met	Not met

Sources: Cameroon authorities; and IMF staff estimates and projections.
Note: The terms in this table are defined in the TMU.
1/ Program indicators under A and B are performance criteria at end-December and end-June; indicative targets otherwise.
2/ The ceiling on net domestic financing (excluding payment of arrears) of the budget and the ceiling on the net borrowing from the central bank was adjusted if the amount of disbursements of external budgetary assistance excluding IMF financing, falls short of or exceeds program forecasts. If disbursements were less (higher) than the programmed amounts, the ceiling was raised (reduced) pro tanto, up to a maximum of CFAF 120 billion at the end of each quarter.
3/ The zero-ceiling applied until the end of the arrangements.
4/ Excluding ordinary credit for imports and debt relief obtained in the form of rescheduling or refinancing.

Table 2. Implementation Status: Structural Benchmarks Not Completed as at September 15, 2020

Structural Benchmark	Deadline	Status
Finalize the diagnostic studies of some large public companies (CAMTEL, PAD, CAMAIR Co, CAMWATER)	March 2020	The conclusion of contracts for diagnostic studies by PAD and CAMTEL, is in progress, in line with World Bank procedures. The signing of the PAD contract is in process. To secure World Bank budget support in 2020, the following will be required: i) adoption of a provisional restructuring plan for CAMTEL by end-June 2020, ii) implementation of additional reforms to improve governance inf the telecommunications sector. The execution of the CAMAIR-Co contract (signed on March 5, 2020) was disrupted by the unavailability of foreign experts, following the COVID-19 pandemic border closures. The study report has been validated. For CAMWATER, the tender was declared unsuccessful following the MINMAP arbitration. The procedure will be restarted as soon as possible.
Strengthen the accountability of project implementation units by establishing clear specifications and studying the possibility of linking remuneration to performance	March 2020	In progress: MINEPAT (DGEPIP)/SPM The draft circular and the related draft standard performance contract have been drawn up. Subject to the approval of the Prime Minister's Services, it was decided at the end of a meeting to strengthen its coercive nature by establishing it as a decree of the Prime Minister in place of the proposed circular. Remaining step: taking account of the orientations and signature of the Prime Minister.
Carry out an external diagnostic study on SONARA's restructuring options	March 2020	Ongoing (CTR) The related contract signed on August 11, 2020, is in progress. The first interim report relating to the diagnosis is currently being validated. Remaining steps: - presentation of restructuring options. - development of the option selected.
Perform an audit of all pre-2019 arrears, adopt an audited arrears payment plan, and transfer all these arrears to the Debt Management Agency (CAA)	March 2020	Ongoing (DGTCFM) An independent auditor was recruited to carry out the audit. The audit report was validated in December 2020. Remaining steps: - adopt a payment and implementation plan.
Establish an inventory of cross-debts between public enterprises and the State and between the public enterprises themselves and adopt a plan for discharging the respective debts between the State and the public enterprises.	March 2020	Ongoing (DGB, CTR) The inventory has already been carried out for 06 companies, including CAMAIR-Co, CAMTEL, CAMPOST, CDC, PAD and SONARA. Remaining steps: - awaiting the transmission of information by other public companies (ADC, ALUCAM, CAMWATER, CRTV, EDC, ENEO, SCDP and SODECOTON) - adoption of a debt clearance plan between the State and these public enterprises.

Table 3. Follow-up on Commitments Under RCF-1 and RCF-2[1/]

Commitments	Status
RCF-1 (May 4, 2020)	
(i) Issue a semi-annual report on COVID-19 related spending.	**Ongoing.** A report on COVID-19 related spending for the period March-December 2020 is under preparation.
(ii) Commission an independent audit of this spending at the end of the 2020 fiscal year and publish the results.	**Ongoing.** The authorities have launched a call for bid with the aim to shortlist qualified consultants by end-April.
(iii) Publish documents relating to the results of public procurement awarded by the government and the beneficial ownership of companies receiving procurement contracts on COVID-19 related expenditures.	**Ongoing.** Publication of these documents was converted into a prior action for the approval of RCF-2 on October 20.
RCF-2 (October 20, 2020)	
Prior action	
(i) Issue before the RCF-2 Board date a circular implementing Article 90 of the Public Procurement Code to modify the standard procurement forms, regarding documents providing information on the identification of the beneficial ownership of companies receiving procurement contracts.	Met.
(ii) Publish before the RCF-2 Board date, the backlog of all COVID-19 related contracts awarded since May 4, 2020, including the beneficial ownership of successful bidders.	Met
Other commitments	
(i) Publish after the RCF-2 Board date on the website of the Public Procurement Regulatory Agency and within 30 days of the award on any contract, the results of public procurement awarded by the government and the beneficial ownership of companies receiving procurement contracts.	**Partially met**. Contracts totaling CFAF 53 billion have been published as of March 31, 2020. This does not cover the totality of contracts awarded by the authorities, and the beneficial ownership of successful bidders is not regularly published along with the contracts on the website.
(ii) Issue a semi-annual report on COVID-19 related spending.	**Ongoing.** A report on COVID-19 related spending for the period March-December 2020 is under preparation.
(iii) Commission an independent audit of COVID-19 related spending at the end of the 2020 fiscal year and publish the results.	**Ongoing.** The authorities have launched a call for bids with the aim to shortlist qualified consultants by end-April.

1/ The outstanding commitments are incorporated into the new program design as prior actions or structural benchmarks.

Annex III. Cameroon's Response to the Covid-19 Crisis

A. Evolution of the Pandemic

1. **The first cases of COVID-19 infection were reported on March 6, 2020.** Weekly confirmed infections initially peaked in June and then declined gradually up to November 2020. Since January 2021, COVID-19 infection rates have resurged, with an increase in fatality rates. All regions in Cameroon have been affected, with more males infected than females overall (Text Figure 1). The South African and the UK strains have been detected in Cameroon by the Cameroonian Center for Research on Emerging Diseases. At end-June 2021, the epidemiological status presented an accumulated total of 80,487 infection cases, of which 78,244 recovered (97.3 percent), and 1,320 died.

2. **Government's response on March 17, 2020, the government announced a package of 13 containment measures.** These measures included closure of land, air and sea borders, quarantine for travelers returning from a country with a high level of infection, suspension of entry visas into Cameroon, closure of schools and universities, prohibition of gatherings of more than 50 persons, closure of bars, restaurants and entertainment spots after 6 pm, suspension of missions of civil servants and parastatals abroad, cancellation of school and university games, and a ban on overloading taxis and public transportation. Social distancing and sanitation measures include the use of electronic communications and digital tools for meetings of more than 10 persons, and compliance with hygiene measures recommended by the WHO. The government introduced additional measures on April 10, 2020, including wearing a mask in all public areas, local production of anti-COVID drugs, establishment of specialized treatment centers in all regional capitals, and intensification of screening tests and the awareness campaign.

3. **The government announced a set of deconfinement measures on April 30, 2020.** The restriction prohibiting bars, restaurants, and leisure facilities from operating after 6 p.m. was lifted, provided customers and users respected social distancing and wore protective masks. The limit on the number of passengers in public transportation vehicles (buses and taxi.) was also relaxed, but masks remained compulsory, and overloading was prohibited.

4. **Since July 2020, a decentralized approach is in place.** The approach relies on health districts and regions, and aims at monitoring infection cases, increasing local testing, reinforcing screening of incoming travelers and strengthening health services. They opted not to re-impose confinement but to enforce barrier measures, increase testing, and strengthen treatment capacities. Schools were reopened in June and COVID-19 screenings for all travelers landing in Cameroon was strengthened. However, mobility across borders remains restrained as a few some land border crossing points continue to be shut off to traffic or were only partially operational to enable trade.

B. Economic Measures to Mitigate the Impact of the Pandemic

5. **A set of fiscal measures to alleviate the adverse socio-economic impact of the crisis was announced on April 30, 2020.** These included measures providing temporary tax accommodation to businesses directly affected by the crisis through tax moratoria and deferred payments, notably (i) exemptions from the tourist tax in the hotel and catering sectors for the rest of the 2020 financial year; (ii) exemption from the withholding tax for taxis and motorbikes and petty traders for the second quarter of 2020; (iii) allocation of a special envelope of CFAF 25 billion for expedited clearance of VAT credits awaiting reimbursement, and (iv) postponement of the deadline to pay property taxes for the 2020 financial year to end-September 2020.

6. **The authorities have taken measures to alleviate the short-term impact on households.** These included (i) an increase in the family allowance from CFAF 2,800 to CFAF 4,500; (ii) a raise of 20 percent on pensions that did not benefit from a 2016 reform; (iii) a three-month payment of family allowances to employees of companies which were unable to pay social security contributions or which had placed their staff on technical leave due to the crisis; and (iv) spreading the payment of the social security contributions for the second quarter of 2020 over three instalments and canceling late fees.

7. **In addition, the authorities adopted a three-year Preparedness and Response Plan, requiring total financing close to US$ 825 million.** The plan includes five pillars: (i) health strategy to prevent the spread of the pandemic and take care of infected persons (US$101 million); (ii) mitigation of economic and financial repercussions of the pandemic (US$646 million), including a US$200 million tax relief to affected businesses ; (iii) supply of essential products (US$9.5 million); (iv) local development of innovative solutions (US$16.5 million); and (v) social resilience to alleviate the repercussions of the pandemic on vulnerable people and households (US$52 million).

8. **A special COVID-19 account, dedicated to financing the national pandemic response plan, was created.** A circular issued by the Minister of Finance specifies the modalities for the organization, operation, and monitoring-evaluation of the account. The enacted in June 2020 allocated close to US$310 million to the account financed at 76 percent by external budgetary support and resources released by debt service suspension. The 2021 Finance Law enacted in December 2020 allocates close to $185 million to the account.

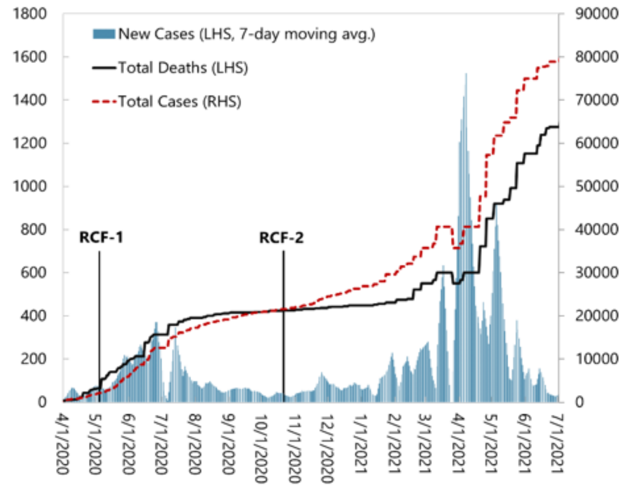
C. Vaccination

9. **Cameroon has recently adopted a national vaccine readiness and deployment plan, prepared under the guidance of the UN country team.** The total cost to implement the plan is estimated at $138 million in 2021 for a coverage of about 5 million people (20 percent of Cameroon's population). A local vaccine deployment team has been set up and in-country logistic arrangements are being put in place. The country expects to receive 864,000 doses of the AstraZeneca/Oxford (SIII) vaccine and 200,000 doses of SINOPHARM vaccine (Chinese). An

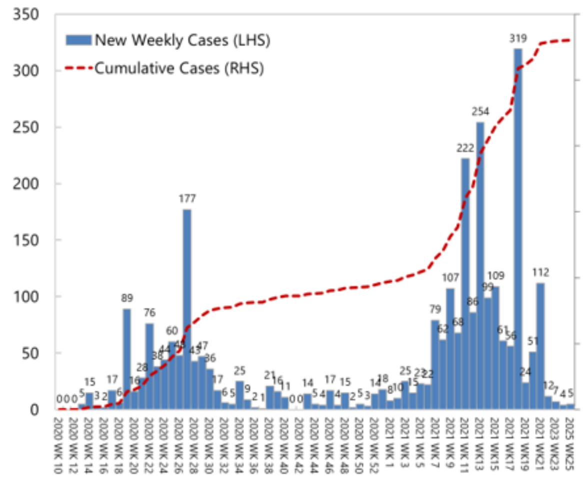
estimated 104,000 persons have received vaccine, and the authorities intend to strengthen communication for community support for COVID-19 vaccination.

Text Figure 1. Cameroon: Evolution of the COVID- 19 Pandemic[1]

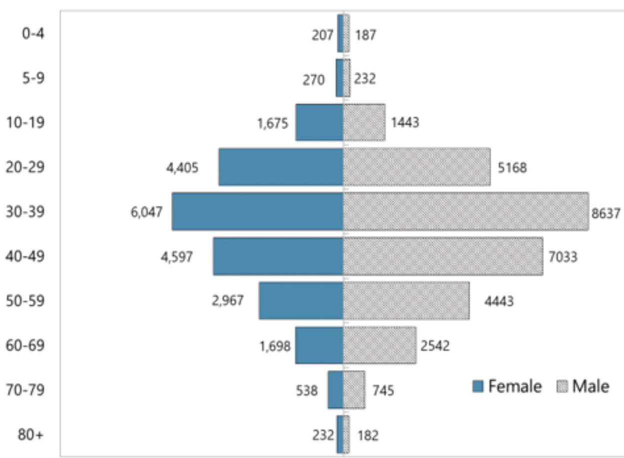
Cameroon: Covid-19 Trends



COVID-19 Cases among Healthcare Workers



Demographic Distribution of Confirmed Covid-19 Cases



Covid-19 Statistics by Region

	Confirmed Cases	Deaths			Recoveries
	Cumulative	Cumulative	Fatality Rate (%)	Proportion of Deaths (%)	Cumulative
Adamaoua	2816	46	1.6	3.5	2753
Centre	27330	371	1.4	28.0	26936
Est	4214	68	1.6	5.1	4135
Extrême-Nord	2082	45	2.2	3.4	1849
Littoral	23256	250	1.1	18.9	22808
Nord	1340	33	2.5	2.5	1307
Nord-Ouest	6023	221	3.7	16.7	5779
Ouest	7156	190	2.7	14.4	6900
Sud	3933	58	1.5	4.4	3869
Sud-Ouest	2708	42	1.6	3.2	2644
Total	**80858**	**1324**	**1.6**	**100**	**78980**

Sources: Cameroonian Authorities; WHO; John Hopkins Coronavirus Resource Center; Oxford COVID-19 Government Response Tracker.
1/ Figures as of July 1, 2021

Annex IV. External Sector Assessment

Overall Assessment: *Cameroon's external position in 2020 is assessed to be moderately weaker than implied by fundamentals and desirable policies. The current account balance in 2020 has improved due to a sharp compression of imports, but the outlook remains highly uncertain. Given the high risk of external debt distress and increased net liability position, efforts are warranted to maintain the current account balance at a sustainable level, including through a gradual fiscal consolidation following measures to contain the pandemic, and a steadfast implementation of structural reforms to enhance competitiveness.*

Foreign Assets and Liabilities: Position and Trajectory

Background. Cameroon's net international investment position (NIIP) deteriorated from -25.9 percent of GDP in 2018 to -28.7 percent of GDP in 2019.[1] Gross foreign asset stood at 31.0 percent of GDP, mostly comprising reserves and private external assets of banks and other sectors. Gross foreign liabilities reached 59.7 percent of GDP, of which foreign direct investment (FDI) and public debt accounted for the largest shares. Over the last 5 years, Cameroon's net liability position has increased from -15.6 percent of GDP in 2014 to -28.7 percent of GDP, largely driven by accumulation of financial account flows.

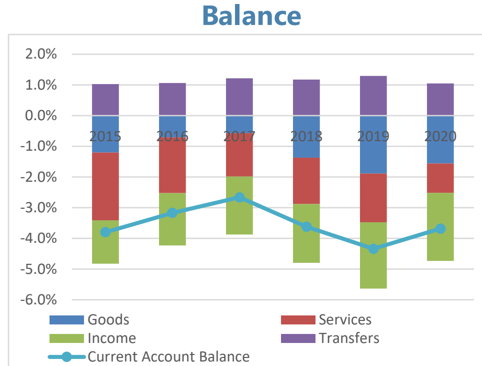
Assessment. Cameroon's current NIIP is assessed to be sustainable, and the growth in net liability position is expected to slow down as the current account balance continues to stabilize. However, continued increase in debt liabilities raises risks to external sustainability (Cameroon is at high risk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

2019 (% GDP)	NIIP: -28.7	Gross Assets: 31.0	Debt Assets: 20.9	Gross Liab.: 59.7	Debt Liab.: 48.5

Current Account

Background. Cameroon's current account balance had been deteriorating since 2017, reflecting higher imports of oil products caused by the shutdown of SONARA, and disruptions in agricultural production due to security concerns in the anglophone regions (Figure 1). The current account deficit in 2020 narrowed to -3.7 percent of GDP (including official grants) due to compressed imports and less-than-anticipated impact on non-oil exports. Cameroon's current account balance is projected to continue a gradual improvement, in light of recovery in trading partners and increased policy efforts to substitute imports. However, near-term outlook remains highly uncertain and subject to risks such as higher oil prices, on the upside, and prolonged COVID-19 pandemic and intensification of conflicts on the downside.

Figure 1. Cameroon: Current Account Balance



Assessment. The EBA-Lite Current Account (CA) model suggests a CA norm of -2.3 percent of GDP against a cyclically adjusted CA of -3.8 percent of GDP (Table 1). This implies a CA gap of -1.5 percent of GDP under current policies. Policy gap is assessed at 2.0 percent of GDP, driven by tighter fiscal policy (+2.2 percent), lower public health spending (+0.71 percent), lower private credit (+0.15 percent) and slower credit growth (+0.12 percent) compared to peers.[2] On the other hand, the EBA-Lite Real Effective Exchange Rate (REER) model indicates a positive CA gap of 1.9 percent of GDP (corresponding to a REER gap of -12.9 percent). Given Cameroon's persistent CA deficit, staff considers the results from the REER approach less reliable and thus estimates the CA gap based on the CA model. As a result, Cameroon's external position is assessed to be moderately weaker than warranted by fundamentals and desirable policy settings.

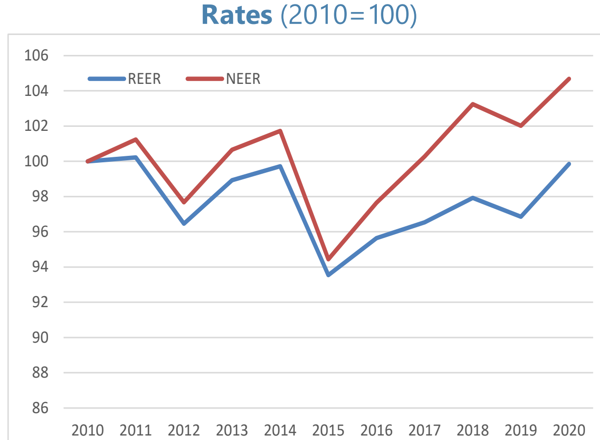
Table 1. Cameroon: Model Estimates for 2020 (in percent of GDP)

	CA model	REER model
CA-Actual	**-3.7**	
Cyclical contributions (from model) (-)	0.3	
COVID-19 adjustor (+) 1/	1.0	
Natural disasters and conflicts (-)	0.8	
Adjusted CA	**-3.8**	
CA Norm (from model) 2/	**-2.3**	
Adjusted CA Norm	**-2.3**	
CA Gap	**-1.5**	**1.9**
o/w Relative policy gap	2.0	
Elasticity	-0.14	
REER Gap (in percent)	**10.5**	**-12.9**

1/ Additional cyclical adjustment to account for the temporary impact of the pandemic on oil trade balances (1.09 percent of GDP) and on tourism (-0.09 percent of GDP).
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Figure 2. Real and Nominal Effective Exchange Rates (2010=100)



Background. Cameroon's REER index based on the Consumer Price Index was 99.85 as of end-2020. Since 2015, the REER has appreciated about 6.7 percent, reflecting nominal appreciation of the Euro against the US dollar (Figure 2). Over the longer term, REER has been broadly stable since the 1994 devaluation, with year-to-year fluctuations not exceeding 10 percent. Overall, the price competitiveness gains achieved appear to have been preserved over the last decades.[3]

Assessment. The EBA-lite CA model estimates a REER gap of 10.5 percent in 2020, whereas the REER Index model yields a REER gap of -12.9 percent. Consistent with the assessment of the CA gap, staff assesses the REER to be overvalued by 10.5 percent based on the CA model.

Capital and Financial Accounts: Flows and Policy Measures
Background. Net capital inflow is estimated to have decreased to 1.8 percent of GDP in 2020 from 3.7 percent of GDP (excluding program lending, including private short-term capital) in the previous year driven by a large drop in inbound FDI and other investment outflows due to heightened global uncertainty. Official capital flows including budget supports from international doners also decreased. **Assessment.** Capital flows including FDIs are projected to increase in the medium term, in light of the recovery from the pandemic and the proposed ECF program. Increase in oil prices could have a positive impact on private capital flows. On the other hand, protracted and more severe disruptions from the pandemic, deteriorating sentiment in the international financial markets, and concerns over Cameroon's debt sustainability could trigger increased capital outflows. Gradual fiscal consolidation combined with stronger efforts to implement long-standing structural reforms to improve business environment will help attract durable foreign capital inflows.
[1] NIIP assessments are based on end-2019 values due to lack of more recent data. [2] The model estimates are based on the following desirable policy levels: (i) cyclically adjusted overall fiscal balance at -1.0 percent of GDP; (ii) public health expenditure at 1.7 percent of GDP; (iii) change in reserves at 0 percent of GDP; (iv) private credit level at 18.1 percent of GDP; (v) change in private credit at 2 percent of GDP; (vi) capital control index at 0.47; (vii) real interest rate at 0.85 percent. [3] IMF Country Report No. 21/21

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

This note presents the understanding reached between the IMF staff and the Cameroon authorities on the capacity development strategy, expected objectives and technical assistance in support of macroeconomic policy priorities for 2021-23.

A. Recent Technical Assistances and Perspectives

1. The Capacity development (CD) activities through technical assistance (TA) from both IMF headquarters and the Central Africa Regional Technical Assistance Center (AFRITAC Center) in Cameroon continue to be frequent. They have focused over the last two years on revenue administration, tax policy, debt and expenditure management, and compilation and dissemination of statistics. These activities have highly contributed to improving the formulation and implementation of policies and reforms, as reflected notably in the successive conclusions of the first five reviews of the ECF-supported program.

2. Going forward, the priorities will focus on supporting the authorities' economic reform strategy for 2021-23. The CEMAC Commission has defined a set of reforms which will underpin the next generation of Fund-supported programs with CEMAC members and organized around five pillars to create the basis for a more diversified, inclusive and a private sector led growth and enhanced governance of public sector. Building on past TA provided to Cameroon, the CD strategy should support the overall goal of improving government revenue mobilization, raising the efficiency, effectiveness, and transparency of public expenditure, strengthening debt management capacity and medium-term debt strategy (MTDS), and enhancing statistics compilation and timely dissemination of macroeconomic statistics.

Authorities' Views

3. The authorities highly value the dialogue with the IMF including through regular TA missions in various areas and appreciate the Fund's responsiveness and availability to deliver high quality TA upon request. They find that priorities have been closely aligned with the program objectives and that the collaboration between IMF HQ technical departments and AFRITAC Centre has been excellent. They are also of the view that missions were well-sequenced and complementary.

Table 1. Cameroon: Top 3 Technical Assistance Priorities	
Priorities	**Objectives**
Domestic revenue mobilization	- Assess the current tax policy and propose measures to extend the tax base, notably an expansion of the property tax and streamlining tax exemptions. - Enhance tax administration in a business-friendly way by strengthening compliance, tax auditing, expanding electronic procedures and payments, and combating fraud and smuggling.
Expenditure and cash management	- Ensure that all spending is executed through the normal expenditure channels and in compliance with the 2018 law on transparency and good governance in public finance management. - Accelerating the transition to the Treasury Single Account (TSA). - Improve the monitoring and forecasting of the government consolidated cash position and prepare monthly and annual cash plans. - Monitoring the management and performance of public enterprises to limit fiscal risks. - Increase effectiveness of capital spending by improving project selection, planning, execution, and evaluation of public investments.
Debt policy and management	- Enhance quality and reliability of public debt data. - Strengthen medium-term debt strategy (MTDS) and enforce. consistency between actual borrowing decisions with the MTDS. - Ensure that all project financing proposals is approved by the National Public Debt Committee (CNDP).

Appendix I. Letter of Intent

Yaounde, July 15, 2021

Madam Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street N.W.
Washington, DC. 20431
USA

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

Dear Madam Managing Director,

1. The Government of Cameroon implemented an Economic and Financial Program supported by a three-year agreement under the Extended Credit Facility (ECF) of the International Monetary Fund (IMF) during 2017-2020, in a difficult economic and security context. This program, which ended on September 30, 2020, made it possible to restore financial viability and external stability through a combination of budgetary adjustment and appropriate monetary policy, and to lay the foundations for strong and inclusive growth in the medium term. The COVID-19 pandemic has unfortunately eroded some of the progress achieved through this program. The Cameroonian authorities thank the IMF for its support under the ECF and, more recently, within the framework of the Rapid Credit Facility (FCR) disbursements approved by the Executive Board of the IMF on May 4 and October 21, 2020.

2. To contain the spread of the COVID-19 pandemic, the Cameroonian authorities have taken a series of restrictive measures relating to the movement of people and goods. These measures, in addition to the loss of jobs, have greatly reduced activity in several sectors of the economy and government revenues compared to our pre-COVID-19 projections for 2020, following the erosion of external and internal demand and breaks in the supply chains for intermediate products. The IMF's emergency financial support proved decisive in obtaining the necessary resources for the response to the health and economic crisis, mobilizing budgetary support from other partners, and thus enabling us to contain the spread of the pandemic and mitigate its negative impact on our economy. Cameroon is unfortunately facing a second wave of infections since the start of 2021, while the room for maneuver in economic policy has narrowed.

3. To capitalize on the reforms implemented within the framework of the program supported by the ECF and in accordance with the November 2019 resolution of the Heads of State of Central Africa and the orientations of the economic and financial reform program in our National Development Strategy for 2020-30 (SND-30), the Cameroonian authorities are requesting financing of a new three-year “second generation” program for 2021-2024. This new program will strengthen our external viability thereby contributing to community efforts to boost BEAC's foreign exchange reserves. It should also make it possible to achieve strong, sustained, and inclusive growth, supported by adequate financing and budgetary policies compatible with the fight against the COVID-19 pandemic, the resumption of economic growth, and poverty reduction. It is based on a set of structural reforms intended to improve, among other things, budgetary revenue mobilization, public expenditure quality and processes, the management of public enterprises, the business climate, and public debt management.

4. The Government intends to undertake a structural transformation of its economy to realize its growth potential in the medium and long term, in accordance with SND-30, which aims, among other things, to raise Cameroon to the rank of emerging country by 2035. The implementation of the Post COVID-19 Economic Support and Recovery Plan, the completion and commissioning of major infrastructure and energy projects, as well as the efforts made to substantially improve the business environment, will help revive private investment, job creation and economic diversification, which are important pillars for strong, sustained, and inclusive growth. Economic activity will also benefit from strengthening financial sector stability and expanding access to credit. The Government is also determined to pursue fiscal consolidation and strengthen public debt sustainability by pursuing active debt management and prioritizing concessional loans and Public-Private Partnership financing where appropriate. This requires a continued gradual fiscal consolidation by almost 2 percentage points of GDP in 2021-24 to reach the regional convergence criterion by 2024. This objective will be supported by measures aimed at increasing revenues and rationalizing public expenditure while improving their quality.

5. The Memorandum of Economic and Financial Policies (MEFP) attached to this letter of intent describes the economic and financial situation in 2020, sets out the economic and financial policies that the Government intends to implement for 2021 and establishes the quantitative criteria and indicative targets, as well as structural benchmarks until the end of June 2022. To support the effort to address its balance of payments needs and help rebuild regional foreign reserves, the government has adopted an economic recovery program in the context of the regional program of economic and financial reforms (PREF-CEMAC), which is in line with the commitments in the final communiqué of the Yaoundé Extraordinary Summit of Heads of State of CEMAC of November 21, 2019.

6. The Government of Cameroon is requesting IMF support through a three year arrangement under the Extended Credit Facility (ECF) and a three year arrangement under the Extended Fund Facility (EFF) covering the period 2021-24 for an amount equivalent to 175 percent of its quota, equivalent to 483 million SDRs or about CFAF 375 billion (SDR 161 million or 58.3 percent of quota (ECF) and SDR 322 million or 116.7 percent of quota (EFF)), to be disbursed in seven installments. To address an immediate need to strengthen our external position and support our public finance recovery effort, we seek a first disbursement of 45 percent of our quota.

7. The Government is convinced that the policies and measures outlined in the MEFP will make it possible to achieve program objectives and commits to undertake all the additional measures to this end. The Cameroonian authorities will consult with the IMF on possible additional measures before proceeding with any revision of those set out in the MEFP, in accordance with applicable IMF policies for such consultations. To facilitate the monitoring and evaluation of the program, the

Government commits to communicate regularly to the staff of the IMF all the required information within the prescribed deadlines and in accordance with the attached Technical Memorandum of Understanding (TMU). Finally, the Government agrees with the publication of this letter, the MEFP, the TMU and the related IMF staff report.

Sincerely yours,
/s/

Joseph Dion Ngute
Prime Minister, Head of Government

Attachments:

1. Memorandum of Economic and Financial Policies
2. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies, 2021–22 July 2021

INTRODUCTION

1. **The adverse effects of the coronavirus pandemic (COVID-19) and the difficult security context weighed heavily on the economic and social situation of Cameroon in 2020.** This resulted in a sharp slowdown in economic activity, an increase in public spending on health, a significant drop in state revenue and hence a worsening of the budget deficit. This has partly eroded the budgetary consolidation efforts made during the implementation of the Economic and Financial Program over the 2017-20 period. However, the Government remains firmly committed to taking all necessary measures to put the country back on the path of strong, sustained and inclusive growth, to effect a structural transformation of the economy, and to strengthen its economic and social resilience. It thus intends, in line with SND-30 and the post-COVID-19 recovery plan, (i) to continue the health response to COVID-19; (ii) reduce obstacles to private sector development; (iii) accelerate public finance management reforms, in particular through the effective implementation of CEMAC directives; (iv) continue to broaden the non-oil revenue base, (v) improve the efficiency of public investment spending, (vi) strengthen the management and performance of public enterprises; (vii) implement a financial and physical rehabilitation plan for SONARA, and (viii) strengthen public debt sustainability. In addition, specific actions will be considered to allow the implementation of the reconstruction plan for the North-West and South-West regions and to strengthen the decentralization process.

2. **The government intends to deal with the challenges for an effective and sustainable recovery of the national economy.** Based on the hypothesis of a gradual attenuation of COVID-19 during 2021-22, the Cameroonian economy should begin a recovery from 2021 and reach a growth rate of the non-oil sector of more than 5 percent starting from 2023. The objective of the government's economic policy in the short and medium term is to increase the growth potential of the economy, by refocusing the country on a path of emergence, first by curbing the harmful effects of the pandemic, and then by pursuing the structural transformation of the economy, in particular by strengthening the resilience capacity of the local economic fabric in the face of external shocks, the completion and commissioning of major ongoing infrastructure projects, and support for branches and sectors whose spillover effects on the national economy would be immediate and durable.

3. **SND-30 and the Post COVID-19 Economic Support and Recovery Plan adopted in 2020, constitute the reference framework for the strategic orientations for the new program.** The SND-30 is based on four pillars, namely (i) the structural transformation of the national economy, with industrial development as the main objective, (ii) the development of human capital and well-being, (iii) the promotion of employment and economic integration, and (iv) governance, decentralization, and strategic management of the State. Four main areas also form the backbone of the Post COVID-19 Economic Support and Recovery Plan, namely: (i) support for the production and

processing of consumer products; (ii) the establishment of appropriate and dedicated systems for business financing; (iii) revitalization of branches / growth sectors; and (iv) strengthening the competitiveness of businesses. The economic program for the next triennium that we intend to carry out with the support of our development partners will cover these four pillars and axes. It will also remain consistent with the strategic framework adopted by the PREF-CEMAC steering committee for the second-generation agreements of CEMAC countries with their international technical and financial partners.

RECENT ECONOMIC DEVELOPMENTS

4. **Economic growth in 2020 has been strongly affected by the health situation generated by COVID-19 in addition to the negative effects of the security crisis in certain regions of our country.** Economic activity has decelerated. Thus, GDP growth slowed sharply against an increase of 4.0 percent projected before the onset of the pandemic.[1] This slowdown, linked to the consequences of the pandemic, affected the export agriculture, forestry and logging, transport, tourism, and trade sectors. Domestic demand decelerated, driven by the contraction in household consumption and public and private investment. External demand has fallen sharply due to the fall in world prices and economic activity among our main trading partners (China and Europe). According to figures from the DGD, in 2020, global trade fell by 20.3 percent in value, following the drop in both imports (- 17.6 percent) and exports (-24.6 percent). This decline is also observed but remains less pronounced when petroleum products are excluded. Indeed, global non-oil trade fell by 9.4 percent following the decline in imports (-8.7 percent) and exports (-11.1 percent). As for inflation, it reached an average rate of 2.5 percent, owing to difficulties in ensuring the supply of food items, combined with a decline in the actual supply.

5. **A Revised Budget Law (RBL) for 2020 was adopted in June 2020 to take account of the consequences of the pandemic on the initial finance law approved in December 2019.** The RBL incorporated (i) the negative impact of the pandemic on revenue; (ii) the creation of a special account (CAS) for the management of budgetary operations relating to the response to the pandemic; (iii) the admission of Cameroon to the Debt Service Suspension Initiative (DSSI); (iv) exceptional disbursements from development partners in support of the financing of the global response plan against COVID-19; and (v) the signing of an order raising the ceiling for issuance of government securities.

6. **By end-2020, the execution of the state budget resulted in a smaller deficit than expected.** The budget revenue collected reached a rate of 109 percent against the revenue target of the RBL. The relatively good performance on budgetary revenues can be explained by a less than anticipated decline in economic activity and in imports. In terms of expenditure, the execution rate is 100.3 percent compared to the RBL forecasts. The deficit in the overall balance on a payment order

[1] INS provisional estimates show an increase of 0.7 percent against a preliminary estimate of -1.5 percent by IMF staff.

basis is 3.3 percent of GDP, compared to 4.5 percent anticipated in the RBL. The cash deficit, which was set at 4.9 percent of GDP in the RBL, reached 3.6 percent of GDP.

7. The decline in exports and transfers in 2020 was more than offset by the decline in imports of goods and services, leading to a slight decrease in the external current account deficit. This deficit is estimated at 3.7 percent of GDP, compared to 4.3 percent in 2019. It was mainly financed by financial capital flows (official and unofficial) and a decline in the central bank's net foreign assets.

8. The increase in money supply remained strong, driven by net claims on the government. Money supply increased 12.1 percent year-on-year, compared to an increase of 6.5 percent a year earlier. Regarding the counterparts of money supply, this development is largely due to the state's net debt position vis-à-vis the banking system, which increased by 57 percent in 2020 compared to 2019. At the same time, loans to the economy grew 4.3 percent, driven by higher liabilities from non-financial public enterprises. On the other hand, net foreign assets fell by 0.5 percent, in line with the persistent current account deficit of the balance of payments.

9. Public debt remains under control although it increased slightly in 2020. The outstanding public sector debt at end-2020 is 45.2 percent of GDP, of which 0.1 percent is direct debt guaranteed by the central government and 4.0 percent, debt of public companies not endorsed and identified.[2] This outstanding amount increased by 2.3 percent of GDP compared to its level at end-2019 mainly due to (i) budget support obtained as part of the response to the pandemic; (ii) higher issuances of government securities; and (iii) taking into account new domestic debt agreements to cover floating debt. External public debt reached 31.1 percent of GDP at end-2020, representing an increase of 1.0 percent of GDP compared to its level at end-2019. External disbursements reached CFAF 874 billion, (including CFAF 351 billion in non-concessional terms) against CFAF 767 billion, envisaged in the 2020 debt plan. New signed non-concessional commitments reached CFAF 79 billion, against 350 billion provided for in the State debt plan in 2020, bringing the total of signed commitments (concessional and non-concessional) in 2020 to 475 billion FCFA. The stock of committed but undisbursed loans (SENDs) stood at 13.7 percent of GDP at end-2020.

ECONOMIC AND FINANCIAL PROGRAM IN 2021 AND IN THE MEDIUM TERM

A. Macroeconomic Framework

10. Economic growth prospects remain positive. The average annual growth of the oil sector over the period 2022-26 would be close to zero, with increased gas production offsetting the depletion of oil fields. Under the assumption of a gradual attenuation of COVID-19, the growth of

[2] IMF staff estimates public sector debt at 45.8 percent of GDP (external and domestic debt at 31.1 and 14.7 percent of GDP respectively) at end-2020, including Treasury floats but excluding SOE debt not covered in the DSA.

non-oil sector should begin to recover from the year 2021 and reach 5 percent starting from 2023. It will be supported by (i) good performance of the agro-food industry oriented towards the domestic market, of the manufacturing and chemical industries, and of wood processing; (ii) continued construction and rehabilitation of road infrastructure; (iii) improved energy supply through the commissioning of new hydroelectric dams and the completion of construction works for electricity transmission infrastructure; (iv) the positive effects of development programs for the main agricultural sectors (coffee, bananas, cotton, and rubber); (v) the ongoing implementation of actions aimed at increasing the production and productivity of food crops; and (vi) the resumption of agricultural activity following the expected appeasement in regions plagued by insecurity.

11. In terms of public finances, the objective will be to gradually reduce the overall budget deficit to achieve the regional convergence criterion by 2024. The objective of reducing the budget deficit will be achieved through: (i) improving the mobilization of non-oil revenue, while maintaining an incentive policy at the economic level and protective at the social level; (ii) strengthening the effectiveness and efficiency of public spending, both current and capital; and (iii) the gradual reduction of all state arrears to public enterprises and the private sector. In addition, specific actions should be considered to allow not only the implementation of the SND-30 and the post-COVID economic recovery plan, but also to (i) support the health response to COVID-19; (ii) allow the implementation of the reconstruction plan for the southwest and northwest regions; (iii) strengthen the decentralization process; (iv) ensure the holding and control of the costs of major international sporting events already scheduled (in particular Africa Cup of Nations (ACN 2022); and (v) start the implementation of universal health coverage.

12. The implementation of export stimulus and import substitution programs, and the ongoing strengthening of regional integration should contribute to a gradual reduction in the current account deficit to stabilize at around 3 percent of GDP in the medium term. These efforts will also help consolidate the region's net foreign assets, the objective being to achieve a coverage rate of nearly five months of imports for the region in the medium term.

13. The government is committed to strengthening debt sustainability. The debt policy will aim to slow the pace of new external debt commitments, while giving priority to concessional external borrowing and ensuring that it is intended for projects that meet all the required maturity criteria. Thus, the strengthening of debt management policies will aim to (i) set debt ceilings in relation to the capacity for preparation and implementation of projects, (ii) strengthen the authority of the National Public Debt Committee (CNDP) in approving new external loans contracted or guaranteed by the State; (iii) improve the ability of the Autonomous Amortization Fund (Caisse Autonome d'Amortization or CAA) to monitor the internal and external debt of all public enterprises; and (iv) conduct an active debt management policy in order to lower its cost and bring Cameroon back to a moderate risk classification of indebtedness.

14. The Government conducted a repurchase operation of the Eurobond of 2015, with a new issue on the international market. A new Eurobond was issued on July 1 (CFAF 450 billion)[3].

[3] With a maturity of 12 years and principal payments scheduled on three equal tranches starting from 2030, the new Eurobond interest rate is 5.95 percent.

The proceeds will be used (i) for liability management operations, including a partial buy-back of the 2015 Eurobond (estimated at CFAF 328.3 billion) with a net financing cost estimated at around CFAF 83.5 billion; and (ii) to finance projects (CFAF 37.5 billion) critical for Cameroon's development that have high economic and social returns with limited concessional financing in line with the Fund's Debt Limits Policy. The Government will create an escrow account under the TSA for the CFAF 37.5 billion to ensure spending is limited to the identified projects, in line with the Fund's DLP. The use of the Eurobond for project financing will be closely monitored to ensure consistency with fiscal targets under the program, and the authorities will consult with IMF staff before contracting new projects or financing approved projects, to mitigate the risk of breaching the PC. The NCB limit includes an adjustor for the Eurobond refinancing, given the positive impact on the DSA's debt service indicators.

15. Internal and external risks could, however, affect Cameroon's economic outlook. External risks that could weigh on growth include uncertainties related to (i) the duration and intensity of the COVID-19 pandemic, (ii) the level and volatility of commodity prices, and (iii) the persistence of international trade tensions. Domestically, worsening insecurity in regions currently in conflict, the influx of refugees from neighboring countries and a deterioration in the financial situation of certain public and quasi-public sector companies could undermine ongoing fiscal consolidation efforts and the implementation of reforms. However, the dynamism of the non-oil sector could help mitigate the negative impact of these risks.

B. Fiscal Policy

16. The Government's public finance policy over 2021-2024 will be based on budgetary consolidation efforts aimed at reducing the budget deficit, to strengthen the debt and the external position sustainability. This consolidation should be achieved through, on the one hand, an increased effort to mobilize non-oil internal revenue, and on the other hand, by continuing to rationalize public spending. After its sharp deterioration in 2020 following the shock of the COVID-19 pandemic, the overall budget deficit (payment basis), after settling at 3.3 percent in 2020, would reach 3.4 percent of GDP in 2021 and gradually decline to around 1.6 percent in 2024. The level of public sector debt would gradually decline reaching almost 41 percent by end-2025.

17. The initial 2021 budget law foresaw a budget deficit (commitment basis) of 2.8 percent of GDP. This law incorporated a level of total revenue equivalent to 13.6 percent of GDP. A slight increase in world oil prices would induce an increase in oil revenues of 0.3 percentage points of GDP. The resumption of economic activity in the non-oil sectors and the fiscal policy measures of the 2021 budget law should contribute to boosting economic growth. The 2021 budget law contained a list of measures intended to promote an import-substitution policy having a negative impact on customs revenue estimated at CFAF 0.6 billion. At the same time, this law applied ad valorem excise duties to certain products which were to have a positive impact estimated at CFAF 8 billion. The total expenditure planned in this budget law was 0.4 percentage point of GDP lower than that of the revised budget law of 2020, thanks to the savings in spending related to the COVID-19 pandemic, and to the reduction of subsidies and transfers.

18. However, the Government considers that a Revised Budget Law (RBL) for 2021 is necessary. In particular, the RBL will consider the consequences of the unexpected rise in world oil prices on revenue and expenditure, the cost of our national COVID-19 vaccination deployment plan, any unanticipated external funding, and a new international issue for the 2015 Eurobond buyback. A higher non-concessional borrowing ceiling is needed to allow for the issuance of 450 billion CFA francs. The adoption of the RBL is a prior action for the conclusion of a new program supported by the IMF.

19. The Government will continue to use the issuance of bills and bonds on the subregional market in accordance with the budget law and based on cash flow requirements. The 2021 budget law authorizes the issuance of public securities with a maturity of more than one year (OTA) to the tune of CFAF 350 billion. The issuance of government securities with maturity of less than one year (BTA) will depend on cash flow requirements. while respecting the zero net emission target at end-2021.

20. Compliance with the budgetary objectives of the RBL 2021 requires tighter control of budget execution.

- The share of expenditure executed through derogation procedures in expenditure financed from own resources (excluding debt service) reached 11.9 percent in 2020. The Government will do everything in its power to apply the provisions of the 2021 budget execution circular, which provides, among other things, the limitation of provisional commitments and cash advances. The total volume of expenditure by exceptional procedures in 2021, excluding direct interventions, should be below 5 percent of the total envelope of expenditure financed from own resources (excluding debt service).

- The Government undertakes to ensure the effective implementation of the provisions of the 2018 laws relating respectively to the Code of Transparency and Good Governance in the Management of Public Finances in Cameroon and the Financial Regime of the State and other public entities, in accordance with CEMAC guidelines.

- To improve the predictability and transparency of budget execution, the level of direct interventions by the National Hydrocarbons Corporation (SNH) will be capped at CFAF 145 billion for 2021. The RBL 2021 includes budgetary credits to cover the expenses supported by this level of direct interventions.

- Expenditure through exceptional procedures, including those carried out on direct interventions, will be regularized to avoid the accumulation of large balances of expenditure to be regularized at the end of the year. They will be reported in the monthly TABORD.

- The commitments will be effectively stopped before end- November 2021, and the payment orders at end-December 2021. The additional period will be limited to one month after the end of the budget year.

21. The Government is resolutely committed to the digitization of its budgetary procedures.

- Upstream, at the level of the preparation of the budget law, its efforts have notably led to the dematerialization of the documentation of the draft budget law through digital tablets and the parliamentary platform. There are prospects of optimizing access to the parliamentary platform through the development of an application that can be downloaded online.

- Regarding the chain of expenditure (commitment, validation, authorization, management, and payment) the actions taken so far will continue. The PROBMIS application, in addition to the total dematerialization of the processing of expenditure in the CAS management module, will be optimized by the complete dematerialization of the classic processing procedures, and their outsourcing to users to increase its remote service offering capabilities. Actions will therefore focus on strengthening electronic communication, setting up dedicated platforms, automating data exchanges with other financial administration applications, the establishment of an electronic archiving and management system for documents and the densification of the computer network.

- In addition, the Government intends to complete the full digitalization of the chain of career management, pay and pension within the framework of the SIGIPES II project, going as far as the introduction of biometrics for monitoring the attendance of public officials.

22. In order to guarantee the achievement of the objectives set by the RBL 2021, and in compliance with the commitments made in the program, the Government intends, with regard to revenue, to intensify the collection of tax and customs arrears, in particular those of public administrations, public establishments and enterprises. The government will also implement measures to take charge of taxes, duties and taxes arising from cross-debt agreements, and arrears inherent in jointly funded cash markets, or if necessary, through order transactions. The DGI and the DGD will strengthen control over companies presenting the risk of under-reporting their declarations. Also, on non-tax revenues, it will intensify the campaign launched on the Enforcement of State Revenue to improve the performance of this category of revenues. Regarding expenditure, ongoing rationalization efforts will be continued. This involves strengthening budgetary discipline by limiting the use of derogatory expenditure procedures, supervising, and rationalizing the granting of transfers and subsidies to companies and public establishments and strengthening budgetary control actions. In addition, the application of budgetary regulation measures will be maintained (precautionary blocking of credits for goods and services, notification of quarterly expenditure quotas to principal authorizing officers, cancellation of budget credits that have become irrelevant), and in the event of a shock, a consequent budgetary adjustment will be made through a new revised finance law.

23. The Government will also pursue the reform of the civil service wage bill. As such, several actions are envisaged, namely: (i) strict control of the return to pay of public officials suspended following the operation of physical counting of State personnel (COPPE); and (ii) the installation of SIGIPES 2, an integrated career and payroll management software to replace the ANTILOPE and SIGIPES tools which have become obsolete.

24. Fiscal consolidation will continue gradually while protecting priority social spending. For 2021-24, as part of its National Development Strategy, the Government will step up actions aimed at reducing poverty and inequalities. It will continue to increase spending dedicated to the social sectors (health, education, social affairs, etc.), while ensuring improving quality, by ensuring the provision of sufficient resources for the health expenditure management program based on performance. Cash transfer programs and labor-intensive works (THIMO) for the benefit of the most vulnerable households will be continued and extended to a wider segment of the population. The composition of social expenditure to be followed is specified in the Technical Memorandum of Understanding. The floor on social spending for 2021 is set at FCFA 1110.8 billion FCFA, or 4.6 percent of GDP and constitutes a quantitative indicator of the program.

C. Medium-Term Fiscal Policy Objectives

25. The medium-term fiscal framework will remain consistent with the fiscal consolidation objective with the goal of meeting the CEMAC convergence criterion in the medium term. We are therefore considering a gradual reduction of the reference budget balance to bring it below the CEMAC convergence criterion (1.5 percent of GDP, payment order basis) by 2024. This reduction in the budget deficit will be achieved through a continuous improvement in the mobilization of non-oil revenue, a reduction in tax expenditure, a rationalization of non-priority expenditure, and better prioritization of capital expenditure. Non-oil revenue would gradually increase by about 0.7 percent of GDP per year over 2021-24 supported by about 2 ½ -3 percent of GDP in tax measures over the program period (Structural Benchmark 5, Table 2).

D. Structural Reforms of Public Finances

Public Finance Management Reform

26. The Government intends to pursue reforms aimed at improving the quality of public spending and cash management, as defined in our public finance reform program. The main thrust of these reforms will focus on:

- **The deepening of cash management reforms and the operationalization of the single treasury account (STA) in conjunction with the BEAC.** Thus, the following actions will be continued:
  - The preparation of credible monthly cash plans based on commitment plans backed by procurement plans to reduce liquidity tensions and the accumulation of new domestic arrears.
  - Continuation of efforts aimed at closing and repatriating bank accounts eligible for Treasury Single Account (TSA) of administrations, public institutions and agencies, public establishments, and the Autonomous Amortization Fund (CAA) to the BEAC. The total resources transferable to the STA in 2021 is estimated at a minimum of CFAF 50 billion.
  - Continuing dialogue with technical and financial partners on the centralization of counterpart funds for jointly funded projects in a single "basket fund" account opened with the BEAC.

- **Continuing to deflate the balances of correspondents' accounts while ensuring compliance with the objective of accumulating government deposits.** This measure will be accompanied by a ban on funding the accounts of correspondents other than those with a main accountant, from budget appropriations and on opening new correspondent accounts.

- **Strengthening the State's financial reporting system to make budgetary and accounting information exhaustive, reliable, and available on time for monitoring the implementation of the program.** The summary situation of Treasury operations (SROT) and the Public Finance Tracking report will be available within the prescribed deadlines, i.e., no later than 45 days after the end of each month, and 45 days after the additional period for end of year data.

- **Budget transparency will be enhanced by the publication of the quarterly execution report on the website of the Ministry of Finance and in newspapers**. In parallel, the development and publication of interim and annual reports, the Citizen Budget, developed with the participation of civil society for the information of the public, will be strengthened.

- **To enhance the effectiveness and efficiency of capital expenditure, the Government will continue implementing reforms to improve project selection, planning, and execution of investments**, particularly by:

  - Strict application of the provisions of the decree on the maturation of investment projects, which now requires to include in the budget only projects that have received the maturity visa issued by the Minister in charge of public investments.

  - The accountability of the program and project implementation units financed by ordinary domestic and external resources, through the signing of standardized performance contracts, and the backing of the remuneration of the heads of these execution units to well-defined performance indicators. These performance contracts will include, among other things, the preparation of quarterly reports with indicators of the physical and financial implementation of the project, the revision of the disbursement plan and project management expenses. To this end, a decree laying down performance monitoring methods of program and project management units financed both on ordinary domestic and external resources will be signed and published before the end of 2021.

  - The establishment of an institutional framework aimed at the proper preparation, implementation, and control of the execution of large-scale development projects.

  - The creation of a maturation and compensation fund for public investment projects to ensure more efficient and rapid projects maturation, as well as better execution of all projects financed by ordinary domestic and/or external resources.

  - The establishment of a mechanism for evaluating and considering recurring charges for the assessment of the necessary annual needs for the maintenance, upkeep, and depreciation of the State's assets.

Tax Administration Reforms

27. The Directorate General of Taxes (DGI) will continue efforts to improve revenue collection, fight against fraud and tax evasion, and ensure the integrity of taxpayer files and IT systems. It will place particular emphasis on:

- The continued implementation of the requirement of prior registration of persons performing economic transactions (subscription electricity, water, or telephone, opening and keeping bank account, taking out an insurance contract);

- The simplification and digitalization of procedures in all segments of tax management, namely: registration, online declaration, online obtaining and transmission of tax documents, follow-up of requests, payment of taxes and duties; issuance of tax reminders and notification of adjustments.

- The finalization of the reform of the revamped tax centers (Centres des Impots or CDIs) which results in their computerization and a reduction in their number while strengthening their human and infrastructural resources.

- The implementation of the declaration and payment of taxes and duties by mobile phone for small taxpayers and individuals.

- The abolition of cash payment of taxes and duties in tax centers.

- The implementation of electronic invoicing to ensure the traceability and exhaustive fiscal monitoring of operations and the optimization of VAT and excise duty monitoring.

- The strengthening of fiscal control through the implementation of an automated monitoring system of control procedures to the Large Business Directorate (DGE) and the taxes of medium-sized enterprises (CIME); and stepping up the use of local and international expertise through the "inspector of taxes without borders" mechanism.

- Comprehensive reform of the tax regime for small and medium-sized enterprises, by raising the threshold for VAT liability to improve performance.

- The finalization of the DGI-DGTCFM-DGB interconnection for the use of the DGI active taxpayer file as the only repository for the payment of public orders, the automatic accounting of tax payments as well as the dematerialization of operations on the execution of public order;

- Improving the collection of taxes and duties, by strengthening the mechanism for forced collection of tax debts from importers by the General Directorate of Customs (DGD).

- Strengthening the system for real time automatic information collection for large taxpayers.

- The extension of the use of the FUSION tool to the Regional Tax Centers.

- Complete computerization of the tax audit chain, from collecting information for tax purposes, to issuing tax reminders, including programming, and notification of adjustments.

- The implementation of the reform of the integrated agent, to broaden the base and reduce the size of the informal sector, by facilitating the taxation of the greatest number of operators in this sector and improving the VAT output.

- Strengthening the monitoring of personal income tax through the implementation of the universal income declaration before June 30 of each year.

- The continuation of the reform of the implementation of the integrated system of taxes and duties management.

28. The Directorate General of Customs (DGD) will continue to consolidate the achievements of the reforms already implemented by strengthening the ongoing measures to optimize revenues, facilitate trade and transform the Cameroonian economy. It intends to:

- **Broaden the tax base through:**

  - Optimizing spontaneous revenue collection on certain products with high tax yields such as vehicles, clinker, wood, fuels and lubricants, textiles, and mobile phones.

  - Continuing to capitalize on tax loopholes, particularly regarding specific taxation (oil, mining and gas taxation).

  - Ensuring cash payment of customs taxes and duties related to imports intended for public procurement, regardless of the mode of financing, at the behest of the contracting authorities.

  - Continuing the rationalization of tax expenditure with support from Technical and Financial Partners.

  - Improving and harmonizing the process of handling goods in the territory.

  - Strengthening the pooling of information with certain actors in the logistics chain including the Cameroon Professional Group of Stewards (GPAC), the Cameroon National Council of Shippers (CNCC), banks through the interfacing of information systems, in view of the implementation of data warehouse.

  - Finalizing the optimization of the functionalities of Cameroon Customs Information System (CAMCIS), the information system of the General Directorate of Customs, and the effectiveness of the remaining modules, in particular litigation, performance management, intelligence management, and ex post control modules.

  - Improving the quality of customs clearance through the continued implementation of the value-related infrastructure.

- Continuing the interfacing of the CAMCIS with the Ministry of Transport's information system to stem fraud in the registration of vehicles, registration of which represents the first revenue item of the DGD.

- Capitalizing on the results of the work which have consisted in reconciling the tax bases with the Société Générale de Surveillance (SGS), and

- Pursuing collaboration with the Ministry of Forestry (MINFOF), the SGS and other technical partners in accounting for timber exports and securing export earnings.

- **Improve the business climate through:**
  - Pursuing paperless procedures process through (i) the implementation of the project to interconnect information systems of the Central African's customs administrations; (ii) the development of an automatic management / clearance system for bail releases; (iii) the automatization of the system for monitoring facilities as well as suspensive and economic regimes; and (iv) the conduct of initiatives for the establishment of a one-stop-shop environment in accordance with the UN-CEFACT Resolution No 33.

  - Pursuing the reduction of delays and costs related to the release of goods by strengthening mechanisms and procedures that permit the release of goods before payment of customs duties and taxes.

  - Pursuing the implementation of modern procedures and regimes of customs incentives for businesses through the implementation of the following actions: (i) the rationalization of the transit to take into account the new requirements (Trade Facilitation Agreement, AfCFTA, CEMAC Regulation), in particular the implementation of the single bond; (ii) the promotion of the implementation of economic regimes (inward and outward processing, drawback, economic zones, etc.); and (iii) the finalization of the implementation of the Authorized Economic Operator (AEO) program.

- **Strengthen operational capacities of the Customs Administration in the fight against fraud through the development of tools to optimize controls, such as:**

  - The establishment of an alert procedure allowing authorized intermediaries to inform the Customs Administration in case of suspicion about the regularity of foreign trade financial transactions carried out with a foreigner.

  - The reinforcement of the obligation of authorized intermediaries (banks) to transmit monthly information pertaining to all foreign trade-related international financial transactions they have carried out.

  - The submission of all products under the Export Tracking Sectoral Program (PSSE) to pre-shipment inspection.

- The communication of financial transactions carried by authorized intermediaries to the Directorate General of Customs, by the 10th of each month.

- The improvement of the accounting and valuation of exports through:

  - An intelligent system used to collect information on exported products to be systematically and automatically shared (in real time) among various stakeholders. Emphasis will be placed on enhancing low value exports;

  - The establishment of an operational framework to check consistency between exports-related repatriations and data recorded at DGD level.

  - The continuation of the Operation Stop Illicit Trade (HALCOMI) as part of the fight against fraud, smuggling and other major trafficking.

29. Improving customs revenue to support the financing of the National Development Strategy will require second generation structural reforms. In particular, the Government is considering the following measures:

- Strengthening the automation and digitalization of ex-post controls and surveillance like the Cameroon Customs Monitoring System (COSMOS);

- Strengthening the recovery of the stock of outstanding debts through the automation of debt monitoring, with the consequence of suspending some facilities (moratoriums, direct withdrawals, duty and tax credits, suspensive and economic regimes) to debtor companies.

- Strengthening the control of illicit transactions.

- The promotion of exports and the mastery of customs-related taxation.

- The extension of electronic payment platforms to all stakeholders in the national logistics chain.

30. The joint work between DGI and DGD based on data from the "FUSION" software will be strengthened and should guarantee the collection, sharing and use of information among both departments. This activity will rely on:

- Continuing to clean up the taxpayer file through the full migration of the secured DGI file into the DGD information system (CAMCIS).

- Strengthening the monitoring and securing of non-salaried or professional persons who still carry foreign trade operations through the implementation of an alert mechanism, in the event of operations that do not comply with the status of employee.

- Strengthening the simplification of procedures by creating a single file of taxpayers with customs debts and tax debts, the integration of tax arrears in the system of the Single Window for Foreign Trade Operations (GUCE) to make this available on the platform before an operator can make a payment and, finally the merge of the certificate of non-royalty (ANR) issuance system and that of customs clearance into a single document.

- Strengthening and rationalizing joint DGI-DGD controls by improving capacities in both administrations.

- Continuing to assess and reduce the tax expenditure by finalizing the related 2020 report.

Tax policy reform

A significant improvement in the tax burden will require accompanying tax policy reform with the tax administration reform described above.

31. Broadening the tax base remains a challenge given the considerable weight of tax expenditure, the weight of the informal sector in the economy, and the low contribution of personal income tax. In a post-COVID-19 economic recovery context, the government has chosen tax break (suspension of the creation of new levies) as an option and a proactive support to companies to ensure a rapid recovery. Only measures to improve tax administration have been given priority in the 2021 Budget Law. Aware that strengthening tax administration contributes to improving the quality of service and securing revenue while generating limited margins for increasing the tax burden, the Government intends to carry out a diagnostic study of the fiscal policy, with technical assistance from the IMF, to inform the Government on short-and-medium term fiscal policy measures. This study could assess the following tax policy levers:

- The reduction in tax expenditure: the cost of tax expenditure remains considerable despite the rationalization efforts made in recent years. Overall tax expenditure represented 21percent of non-oil tax revenue and 2.6 percent of GDP in 2019, according to the report on tax expenditure annexed to the 2021 Finance Law. The reduction in tax expenditure is expected to continue over the next few years by removing exemptions and incentives that are ineffective and counterproductive for our economy. The avenues of reform envisaged are in particular: (i) the generalization and improvement of the VAT system and the gradual increase in customs duties towards the level of the Common External Tariff (CET) on staple foodstuffs which are currently VAT exempt; (ii) targeting of sectors eligible for private investment incentives, following a review of the April 18, 2013 law; (iii) strengthening the monitoring of the benefits granted to eligible companies through compliance checks; (iv) the alignment of agreements and specific commitments signed before 2013 with the law of April 18, 2013 on incentives for private investment to ensure fairness between economic operators; and (v) the removal of the import exemption on certain goods already produced or likely to be produced locally.

- The rationalization of the tax regime of externally financed projects through the effective abolition of the tax support regime.

- The broadening of the tax base in the transport sector by combining the multiplicity of taxes and charges owed by carriers in a single levy.

- An overhaul of property taxation as a prelude to the reform of local taxation.

- Apply excise duties on certain products that are likely to be produced locally.
- The continued implementation of measures relating to the import-substitution policy, in particular the expansion of the tax base, by subjecting certain goods likely to be produced locally to excise duty, the promotion of exports and strengthening the national supply of consumer products.

Debt Policy and Management of Contingent Liabilities

32. Debt policy will continue to consider the need to avoid increased risks of debt distress and to strengthen debt sustainability. As the risk of debt distress remains high, the government will continue to: slow down the pace of new external debt commitments; favor concessional loans; limit non-concessional debt to high priority projects for which no concessional financing is available in accordance with the new IMF policy on external debt limits for countries at high risk of debt distress; manage to meet project implementation deadlines as specified in loan agreements; put in place a prudent issuance policy for government securities based on cash flow requirements; and develop the secondary market in order to build the yield curve that will serve as a benchmark for domestic loans, with the support of the BEAC.

33. The ceiling on new non-concessional external debt contracted or guaranteed by the government will be adjusted upward, to a maximum of CFAF 230 billion exclusively for the projects specified in the authorities' project list (Table 1) and contracted or guaranteed after program approval. To the extent that external debt contracted or guaranteed by the government between January 1st, 2021 and the date of program approval and linked to specific projects exceeds CFAF 70 billion, this ceiling would be adjusted downward accordingly. For the first quarter of 2022, until modified by the Executive Board, the 2022 ceiling on new non-concessional external debt contracted or guaranteed by the government will be adjusted upward, up to a maximum determined by the difference (i) CFAF 230 billion, and (ii) the amount of the adjustor applied at end-December 2021, exclusively for the projects specified in the authorities' project list (Table 1). The list of projects includes three projects which appeared in the borrowing plan, but which were not signed in 2020, as well as eight new non-concessional loans of crucial importance for the realization of our SND30 and for which concessional financing is not available.

34. The 2021 Budget Law sets the overall ceiling for new external commitments at CFAF 650 billion as well as an exceptional guarantee of CFAF 200 billion for domestic borrowing by public and private companies, as an accompanying measure against COVID-19.

Text Table 1. Cameroon: 2021 External Borrowing Program
(CFAF, billions)

Sources of Debt Financing	**980**
Concessional debt, of which	349
Multilateral debt	343
Bilateral debt	6
Non-concessional debt, of which	631
Commercial terms	631
Of which, Eurobond 1/	328
Uses of Debt Financing	**980**
Infrastructure	652
Debt management 2/	328

Source: Cameroonian Authorities & IMF Staff estimates
1/ Excludes proceeds used to finance projects (CFAF 37.5 billion) and the buy-back net financing cost.
2/ Buyback of the existing Eurobond.

35. **The 2021 Revised Budget Law also provides for active management of public debt with the reprofiling of the 2015 Eurobond**. This operation, which will strengthen debt sustainability indicators, raises the issuance ceiling for non-concessional loans by 450 billion CFA francs, to refinance part of the 2015 Eurobond as detailed in paragraph 14.

36. **The Government will continue to strengthen the public debt management framework**. The National Public Debt Committee (CNDP) will continue to systematically examine all debt proposals for financing, including those of public enterprises and projects financed through PPP, as well as all requests for the granting of guarantees. The CNDP will only give its approval if the projects meet the criteria of maturity, priority, quality of financing, fiscal sustainability, and economic opportunity, while accounting for the impact on debt sustainability. Only an unconditional favorable opinion from the CNDP will lead to the signing of new loan agreements. The Government, through the CNDP, will also ensure compliance with the procedures relating to borrowing and public debt management operations, as specified in the public debt procedures manual adopted in September 2019. On the other hand, the Government will ensure that no new collateralized loan is contracted by itself or by public enterprises.

37. **The Government is also determined to reduce the domestic debt spiral, which constitutes a risk for the stability of public finances and the credibility of the State's signature**. An audit of all accounts payable before 2019 at the level of the Treasury and branches of the Treasury was carried in 2020. The audited and validated amounts were either settled, canceled, or transferred to the Autonomous Amortization Fund (CAA) with a precise clearance plan from 2021. Despite the efforts made by the government to clear domestic public debt, the Ministry of Finance continues to record claims for payment of services executed to the benefit of administrations, public establishments, public enterprises, and decentralized territorial communities. A so-called "floating debt" audit operation concerning all payment arrears as of December 31, 2019, is in progress. In

addition to an internal assessment of the State's wage debt to public officials in progress, the operation involves four separate audits including (i) central government debts not yet committed, expenses committed but with unsettled payment orders (DENO); (ii) debts of public enterprises and public establishments; (iii) the debts of decentralized territorial communities; and (iv) State rental debts and those resulting from compensation/expropriation for public utility works. The government intends to adopt a plan to clear all the arrears audited at the end of this vast operation. The audit is intended to be exhaustive and, accordingly, the State will no longer accept claims on any kind of debt securities from before 2019.

38. To strengthen debt sustainability, the Government has prepared a medium-term debt strategy (MTDS) covering 2021-23 and updated the SENDs disbursement plan for 2021-25. The 2021-2023 MTDS, which is backed by the 2021 Finance Law, starts from the financing needs of the State, and proposes options to cover it at lower costs and risks while preserving debt sustainability and the sustainability of the public finances. At end-2020, the stock of SENDs amounted to 3,147 billion FCFA, or 13.7 percent of GDP. The SENDs disbursement plan will be made consistent with the expenditure on external funding entered in the MTDS. The government will take all the necessary measures to improve the execution rate of current projects and thus be able to achieve a gradual reduction in the stock of SENDs. Thus, quarterly disbursement plans for all investment projects will be prepared, in collaboration with project managers/coordinators, and will serve as the basis for disbursement requests, in accordance with the annual disbursement plan of SENDs. In addition, the Government will consider canceling SENDs on long-lasting and non-performing projects.

Public Enterprise Reform and Management of Contingent Liabilities

39. The Government intends to strengthen management and governance of public enterprises to improve delivery of public services and limit fiscal risks. In particular,

- The Government will ensure the implementation of the reform of public enterprises and establishments resulting from the laws of N ° 2017/011 and N ° 2017/010 of July 12, 2017, on the General Statute of public enterprises and General Statute of public establishments, respectively. In line with the recommendations of the IMF's technical assistance carried in March 2021, the provisions of these laws and their implementing decrees dating June 19, 2019, will be supplemented to strengthen the control of budgetary risks, the classification and the functioning of the governing bodies of the public enterprises.

- To rationalize its portfolio and reduce possible fiscal risks, the Government is committed to assess the financial sustainability of public enterprises, based on diagnostic studies underway for CAMTEL, CAMWATER, and the Douala Autonomous Port, as well as audits of other deficit and/or highly indebted public enterprises. In addition, the Government intends to carry out a diagnostic study of all the approved or administered prices of the products offered by public enterprises with the objective of reviewing, if necessary, their formula of determination and/or their possible liberalization.

- The Treasury will continue to issue quarterly payments on consumption due by the State to utility services (ENEO, CAMWATER, CAMTEL, SONARA, CAMPOST), relying on sufficient annual budgetary allocations so as to limit the resurgence of a large volume of crossed debts with these entities. In return, these entities will have to properly respect their tax obligations. An inventory of cross debts as of end-December 2020 between the State and the companies, and between the companies themselves, will be completed by June 2022. It will cover the 30 public companies and/or utility service companies with the most important tax debts or claims on the government, according to the Green Paper (Livre vert) annexed to the 2021 Budget Law.

- Public enterprises that have benefited from on-lending or guaranteed loans will have to fulfill their contractual obligations as specified in the on-lending or guarantee agreements. In this regard, the government will initiate discussions with recipient public enterprises to define a plan for the recovery of unpaid debts settled by the State on their behalf, and to set the terms of effective monitoring allowing public enterprises to meet deadlines on debt service due on on-lending or loans guaranteed by the State, and to avoid accumulating new arrears. For new financing, the government will ensure that it introduces more security and provisions to collect the debt service on time and preferably before the due dates. The amounts expected from public enterprises in respect of retroceded or guaranteed debt will be clearly identified and recorded in the Budget Law.

- To control the risks associated with the indebtedness of public enterprises, compliance with the procedures for prior examination by the CNDP of any indebtedness or recourse to the State guarantee will be required (by decree or circular) from public enterprises.

- Regarding the governance of public enterprises, the Government will ensure that their boards of directors include highly qualified agents with expertise in industry / sector and management, strengthen internal control systems, and require production and publication of audited annual financial statements, submission of their business plan, in accordance with the law on the General Statute of public enterprises and that on the General Statute of public establishments. In addition, the role of the Technical Commission for the Rehabilitation of Public and Para public Sector Enterprises (CTR) as an adviser to the Government on policies aimed at improving performance and reducing budgetary risks will be strengthened to make it a transversal body in charge with steering and coordinating the State's shareholding policy. The role of the Technical Commission for Privatization and Liquidation (CTPL) and its institutional position will also be reassessed.

- Regarding the remuneration of officers and directors, the government will introduce, by the end of the current three-year evaluation cycle, additional criteria for the classification of companies and public establishments, in line with international best practices in this area.

- The government intends to rationalize the state portfolio. This requires reducing the presence of the public sector in areas where the private sector can more efficiently operate, merging public establishments or enterprises that offer similar services in the same sector; and use public-private partnerships (PPP) where appropriate with a solid institutional framework. To this end, the legal and regulatory framework governing PPPs will be amended, in accordance with regional directives, to improve transparency, specify the modalities of its implementation, and ensure that all PPP projects obey a unique framework.

- In addition, the CTR will establish a regularly updated dashboard of risks by public company; this table will help to map the risks of the State portfolio broadly, as well as by public company.

40. In order to improve the performance of public enterprises, the Government intends to pursue a policy geared towards: (i) signing performance contracts specifying public service obligations, unit costs (as a basis for payment of subsidies), as well as measurable indicators of the quantity of production and the quality of the services to be provided; (ii) the gradual reduction of subsidies to low-performance enterprises; (iii) the introduction into the stock market of large public enterprises in industrial sectors; and (iv) the implementation of accompanying measures based on better use of the local market. Clearly identifying the public service obligations of SOEs and quantifying the output and associated unit costs are essential to assess the financial performance and operational efficiency of a SOE, as well as the need for government subsidies to its operations. The program contracts and evaluation reports will be published on the MINFI's official website within three months of their completion.

41. Regarding SONARA, the diagnostic study established a human, technical, technological, and financial assessment of the disaster; a strategic and operational diagnosis of the company after the fire and proposed four preferential options for restarting refining activity given the technical and technological designs (simple or complete) which can objectively be envisaged. To have an efficient, competitive, and viable refinery, it has been suggested that the refinery restarts on the final configuration of the "SONARA 2010" project, with a complex refinery having a hydrocracking unit (DHC) in the medium term. This option was validated by the Inter-ministerial Committee (CIM) on April 20, 2021. Regarding the completion times and costs, the CIM has recommended a detailed engineering study (Summary Preliminary Project – APS and Detailed Preliminary Project – APD) in order to provide the Government with complete information, in particular (i) the detailed description of the work to be carried out as well as the detailed evaluation of its cost and (ii) the realistic provisional construction schedule.

42. In the immediate term, the government continues to take steps towards the financial sustainability of SONARA. This includes:

a. Reaching restructuring agreements on all SONARA's debts based on i) the pari-passu principle, treating all creditors (local banks and traders) equally and equitably, ii) the amortization period of the said debt which should be fixed according to the level of resources currently collected and deposited with the "Support to the Refinery" special account located at the central bank BEAC. Consequently, the debt restructuring agreements between SONARA and local banks, concluded in October 2020, should be revised based on the realistic principles mentioned above. Aware of the possible risks of this restructuring on the banking system, the Government has requested a temporary exemption on the application of the prudential ratio on the minimum fixed asset coverage which is set at 100 percent.

b. Authorizing SONARA to sell its OTZ securities (zero coupon treasury bonds) on the over-the-counter market of the BVMAC to replenish the special account "Support to the refinery'' in the context of its ongoing debt restructuring.

c. Validating any loss of earnings (MAG) monthly and paying the amounts owed by the State not later than 90 days.

d. Requiring SONARA to regularly pay taxes and customs duties owed to the Treasury.

e. Ensuring that SONARA is authorized to import a volume of petroleum products which is compatible with its financial commitments.

Regional Monetary Policy and Financial Sector Stability

43. The Government is joining efforts made by the regional authorities to preserve the stability of the monetary arrangement, which will require the rebuilding of BEAC reserves. It is committed to ensuring that the new foreign exchange regulations are enforced in all the aspects under its responsibility. In particular:

- The Government will continue to identify accounts held by public enterprises abroad and invite these entities to comply with the new foreign exchange regulations about opening offshore accounts.

- The Government will ensure, in liaison with the BEAC, before the signing of new concession contracts or revenue sharing agreements with the extractive industries, that they comply with the provisions of foreign exchange regulations. The Government will also take the necessary measures to ensure that the new petroleum code is fully compliant with CEMAC's foreign exchange regulations.

- The Ministry of Finance will execute the due diligence that falls under its responsibility, in compliance with the new regulatory corpus on the domiciliation of export transactions with a resident commercial bank. To this end, a BEAC-Commercial Banks-MINFI (DGTCFM-DGD) data exchange computer platform will be created to facilitate the control and monitoring of the repatriation of export earnings. In this perspective, a protocol for the exchange of foreign trade data including commercial banks, microfinance institutions, foreign exchange offices, DGD, DGTCFM and BEAC will be signed. The platform will be used for data sharing, automated production of statistics, conduct of controls, as well as issuance and follow-up of alerts on suspicious transactions.

44. The Government will continue to implement reforms aimed at strengthening the stability of the financial sector. For this purpose:

- The resolution plans of the two troubled banks have been validated and the Head of State has authorized the State to bear the cost of restructuring the two banks. These plans, deemed credible by COBAC, meet the objectives of financial inclusion and minimization of fiscal costs for the State. They demand that non-performing assets be taken over by the Société de

Recouvrement des Créances (SRC) at an overall tax-neutral cost to the State. Performance contracts will be signed with each of the two banks, including a governance framework aligned with best practices; a return to compliance with prudential standards and long-term profitability; and a strategy for the State to sell its shares in the two banks over 3 to 5 years. The remaining historical shareholders are requested to participate in filling the asset shortage.

- Regarding the SME bank (Banque Camerounaise des PME or BC-PME), a new business model was adopted by the Board of Directors on February 27, 2020, and the Articles of Association of this bank were made compliant. This new model is based on indirect financing and private sector participation in the capital. This model is being implemented gradually.

- The public bank (CBC) continues to implement its performance contract, following the effective transfer of its non-performing loans portfolio to the Debt Collection Company (SRC), assessed under IMF methodology. The state owns 98percent of CBC's shares. It has decided to sell 51percent to a strategic partner and 30percent on the Central African Securities Exchange (BVMAC). At the end of this operation, the state will own only 17percent of CBC's shares.

- The Ministry of Finance ensures strict application of the new microfinance regulations in force since January 1, 2018. To this end, it will ensure that microfinance institutions comply with the requirements of institutional transformation, governance, and management control.

45. The Government will also pursue the objective of reducing non-performing loans.

- The training on the resolution of banking disputes for 20 judges and 10 clerks from 4 major business centers was concluded in March 2019. The deployment of these judges in the commercial chambers and the concentration of banking court cases on these magistrates are effective. The authorities will ensure an annual follow-up of this training based on practical cases and extend this training every two or three years to other judges. The Government intends to transform the commercial chambers into specialized commercial courts with judges trained in commercial litigation.

- The national movable security directory (RNSM) is operational. As of end-December 2020, 12 out of 22 credit institutions in the financial sector and 08 microfinance institutions (MFIs) had declared movable securities to the RNSM; 1,683 lines were registered amounting to CFAF 479.8 billion.

- Strengthening the functioning of the SRC including: (i) diversification of its activities; (ii) the extension of the privilege of the Treasury to debt recovery related to the new activities of the SRC; (iii) management of real estate assets; and (iv) improving its operational capacities.

46. The Government intends to take a series of actions to develop the financial sector, an essential pillar for industrialization and structural transformation of the economy. As specified in SND-30, government interventions will be structured around six axes: (i) financial inclusion and densification of the financial and banking system; (ii) development of local financing for investments and exports; (iii) strengthening regional and international financing of investments and exports;

(iv) development of supplier credit; (v) contribution of the Cameroonian Diaspora and repatriation of capital invested abroad; and (vi) development of financial talents and skills. The National Economic and Financial Committee (CNEF) is currently leading the update of the national strategy for financial sector development.

47. In addition, in the medium term, the Government intends to diversify investors base in government securities with the aim of strengthening the financing capacity of the State while developing the culture of savings and social protection. In cooperation with the BEAC, during 2021 we will develop a strategy to encourage participation of non-bank investors (insurance, pension funds, individuals, etc.) particularly in long-maturity issuance and to ensure compliance with the specifications of Special Purpose Vehicles (SVT), which, among other things, defines the obligation to partially transfer their subscriptions to customers.

Competitiveness and Private Sector Development

48. Numerous structural obstacles hamper the development of the private sector and economic diversification. These obstacles hamper both economic fundamentals and some sector-specific or cross-cutting factors. Both the Government and employers' organizations in Cameroon recognize the need to remove the main obstacles:

- Basic infrastructures that remain insufficient, expensive, and under-developed.
- Persistent high factor costs.
- Difficulties of access to finance for small and medium-size enterprises and very small businesses.
- A workforce not yet adapted to current and future needs.
- Still low purchasing power within an emerging middle class.
- A legal and judicial system to be improved.
- Major economic crises (security crises, health crisis linked to COVID-19).

49. The Government is committed to tackling these obstacles. The promotion of a tax policy that is more conducive to development, combining strategic choices with actions listed in the SND-30, the improvement of basic infrastructure, and strengthening governance will help enhance competitiveness and promote the private sector.

50. The Government's vision expressed in SND-30 is to build the structural transformation of the national economy while giving the private sector a priority and central role. In this regard, three areas of active promotion of private initiative have been identified: (i) technological catch up and development; (ii) incentive for business development; and (iii) the protection of the national economic space. The government has already identified the strategic orientations on each of these axes and intends to intensify dialogue with the private sector to make these orientations concrete. A formal framework for consultation between private and public sectors will be created and reinforced through mechanisms to monitor effective implementation of its recommendations. In addition, the deposit and consignment fund will be made operational, and it will specifically collect taxpayers' deposits ahead of tax disputes, to speed the return of funds to businesses if necessary.

51. **Trade facilitation with the rest of the world will continue to play a key role in the development and strengthening of Cameroon's competitiveness**. To improve the performance of cross-border trade, the Government commits to support regional initiatives for the migration of the customs information system, to limit intermediate controls for the transport of goods in transit at conventional checkpoints, to simplify procedures and administrative formalities for cross-border trade. More specifically, it will: (i) reduce transit times for goods for import, export, and transit; (ii) reduce the port transit costs for import and export; (iii) complete the dematerialization of procedures on port platforms; (iv) implement the Trade Facilitation Agreement measures. To this end, the Government will ensure the proper functioning of the National Trade Facilitation Committee (CONAFE), a partnership and participatory body bringing together with equal representation public and private sectors' actors in charge with trade facilitation. Moreover, to deepen economic integration of the African continent, the Government will ensure the implementation of the national strategy related to the African Continental Free Trade Area (AfCFTA).

52. **In view of priorities adopted to accelerate private sector development, the Government will reform the incentive system for business development**. To this end, it intends in the medium term (i) to build a renovated system of incentives for business development; (ii) gradually build a critical mass of "national champions" companies representing flagships in both industrial and financial sector pillars; (iii) set up specialized bodies in accordance with provisions of the Investment Charter on the promotion of private initiative and reform consular chambers to make them more efficient; (iv) change public enterprises into instruments for accelerating industrialization through their economic and financial performance; and (v) strengthen mechanisms for monitoring and evaluating the performance of companies receiving incentives and taking corrective measures against any proven slippage.

Environment and Climate Change

53. **The Government plans to strengthen actions underway in the sustainable management of natural resources and take adequate measures to adapt and mitigate the effects of climate change**. The actions planned for this purpose are specified in our SND-30. This will include (i) promoting the rational use of soils through cultivation practices that ensure sustainability of natural resources; (ii) create community and communal forests, encourage reforestation, and limit export of logs; (iii) rationalize the use of surface water and groundwater resources through new practices and technologies; (iv) intensify actions to combat desertification, land degradation, and pollution resulting from industrial waste; and (v) operationalize the system for monitoring, preventing and responding to the effects of climate change.

Promoting Good Governance

54. The Government remains committed to strengthening good governance, transparency, the rule of law and the fight against corruption. The authorities have established key anti-corruption institutions and measures to criminalize corruption are broadly in line with recommendations of the United Nations Convention Against Corruption (UNCAC). Nonetheless, governance issues and corruption continue to hamper effective use of Cameroon's public resources, contribute to high business costs, and hamper private sector development and competitiveness. In addition, perceptions of the rule of law and the control of corruption remain low. The Government intends to improve its strategy for combating corruption, embezzlement, and conflicts of interest with the support from technical and financial partners through preventive and repressive actions while strengthening the means of action and improving the legal and institutional framework for combating corruption.

55. The Government will also ensure compliance with international standards on the fight against money laundering and financing terrorism (AML/CFT). The results of the National Risk Assessment (ENR) carried by Cameroon with support from the World Bank and the 2021-2024 priority action plan were presented to public and private actors involved in AML/CFT issues on January 19, 2021. In addition, as part of the mutual evaluation of the national AML/CFT system, the GABAC evaluators carried an on-site visit in Cameroon during February 23 – March 15, 2021. The evaluators' preliminary report on the shortcomings noted in our AML/CFT system is awaited. These assessments will form the basis for strategic decision-making in the implementation of measures aimed at strengthening the national AML/CFT system as well as appropriate allocation of the means of fight relying on a risk-based approach.

56. The Government is committed to taking measures to reinforce compliance with the Extractive Industries Transparency Initiative (EITI) principles. During its January 21, 2021 meeting, the EITI Board concluded that Cameroon had made significant progress in the implementation of the 2019 EITI Standard. However, the Board observed that only three out of the fourteen corrective measures due were successfully observed. The board concluded that Cameroon had until the next validation expected to begin in April 2023 to implement the 11 remaining measures, in addition to 4 measures resulting from the new requirements under the EITI-2019 standard. In this regard, the Government intends to redouble its efforts to implement the recommendations of the EITI Board of Directors and to continue to promote transparent and responsible management of natural resources.

Promoting Gender Equality

57. The Government will continue its efforts to promote equality between men and women. The country has ratified almost all legal instruments relating to the protection and promotion of women's rights, at both regional and international levels, including the Beijing Declaration, the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), the Sustainable Development Goals and the African Union’s 2063 Agenda. In 2014, the National Gender Policy was adopted with the challenge of establishing an equal society between women and men. On the fiscal level, since 2010, various presidential circulars on the State budget preparation include gender consideration in public policies, strategies and programs, and in accordance with the recent recommendations of technical assistance mission from AFRITAC, the Government is committed to adapting budgeting tools to include the gender dimension, for the budget process to become more gender sensitive. It also pledges to modify discriminatory laws and policies to facilitate female entrepreneurship, including stepping up consultations with the banking system to facilitate access to credit for women.

Program Modalities

58. The Government will take all necessary measures to achieve the objectives and criteria as presented in Tables 1 and 2 of the current memorandum. The program will be monitored through semi-annual reviews and performance criteria, indicative targets and structural benchmarks as defined in tables 1 and 2 of this memorandum and in the attached technical memorandum of understanding (which also defines data reporting requirements to IMF staff). The first review of the program will be based on end-July 2021 targets and is expected to be completed by December 15, 2021, the second review will be based on end-December 2021 targets and is expected to be completed by June 15, 2022 and the third review will be based on end-June 2022 targets and is expected to be completed by December 15, 2022.

Table 1. Cameroon: Quantitative Performance Criteria and Indicative Targets (2021-June 2022)[1]

(Billions of FCFA, cumulative basis for each fiscal year)

	End-July 2021 QPC	End-Sep 2021 IT	End-Dec 2021 QPC	End-March 2022 IT	End-June 2022 QPC
A. Quantitative Performance Criteria					
Floor on the non-oil primary fiscal balance (payment order basis)	-523	-847	-1,078	-250	-504
Ceiling on the net domestic financing of the central government (excluding IMF financing) 2/	114	55	102	155	211
Ceiling on net borrowing of the central government from the central bank (excluding IMF financing) 2/	99	109	114	25	50
Ceiling on the disbursement of non-concessional external debt 3/	308	472	566	161	322
B. Continuous Quantitative Performance Criteria (starting from the program approval)					
Ceiling on the accumulation of new external payments arrears 4/	0	0	0	0	0
Ceiling on new non-concessional external debt contracted or guaranteed by the government 5/ 6/ 7/	0	0	0	0	0
C. Indicative Targets					
Floor on non-oil revenue	1,646	2,192	2,930	796	1,598
Ceiling on the net accumulation of domestic payment arrears	0	-41	-81	-14	-28
Floor for poverty-reducing social spending	450	745	1,111	158	380
Ceiling on direct interventions of SNH	100	120	145	40	65
Share of spending executed through exceptional procedures on authorized (payment order) spending 8/	5	5	5	4	4
Memorandum items:					
1. Cumulative external budget support, excluding IMF (earliest disbursement)	*53*	*53*	*110*	*53*	*106*
2. New concessional external debt contracted or guaranteed by the government 9/	*219*	*300*	*350*	*88*	*150*
3. Balance of the special account for the unused statutory advances	*61*	*51*	*41*	*41*	*41*

Sources: Country authorities and IMF Staff projections

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

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

1/ Program indicators under A are performance criteria at end-July 2021 and end-December 2021 and end-June 2022; indicative targets otherwise.

2/ The ceiling on net domestic financing (excluding payment of arrears) of the budget and the ceiling on the net borrowing from the central bank will be adjusted if the amount of disbursements of external budgetary assistance excluding IMF financing, falls short of or exceeds program forecasts. If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 120 billion at the end of each quarter. These ceilings include deposits of CFAF 37.5 billion at the central bank from the eurobond refinancing operations. The 2021 ceilings include also CFAF 30 billion at end-July and CFAF 40 billion at end-September and December of BEAC repurchases (to be adjusted based on the realization) of Cameroon's bonds.

3/ To be adjusted by potential use of the Eurobond proceeds of CFAF 37.5 billion.

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

5/ Excluding ordinary credit for imports and debt relief obtained in the form of rescheduling or refinancing.

6/ For 2021 the adjustment will be equal to the amount of non-concessional budget support approved up to a maximum of CFAF 110 billion. For 2022 the adjustment will be equal to the amount of non-concessional budget support approved up to a maximum of CFAF 174 billion.

7/ In 2021, the ceiling on new non-concessional external debt contracted or guaranteed by the government will be adjusted upward, to a maximum of CFAF 230 billion exclusively for the projects specified in the authorities' project list (Table 1) and contracted or guaranteed after program approval. To the extent that external debt contracted or guaranteed by the government between January 1st 2021 and the date of program approval and linked to specific projects exceeds CFAF 70 billion, this ceiling would be adjusted downward accordingly. For the first quarter of 2022, until modified by the Executive Board, the 2022 ceiling on new non-concessional external debt contracted or guaranteed by the government will be adjusted upward, up to a maximum determined by the difference (i) CFAF 230 billion, and (ii) the amount of the adjustor applied at end-December 2021, exclusively for the projects specified in the authorities' project list (Table 1).

8/ This refers to payments made by the Treasury without prior authorization (issuance of payment orders, such as cash advances and provisional budget commitments), excluding debt service payments.

9/ On a contracting basis in accordance with the IMF's debt limits policy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf.

Table 2. Proposed Structural Benchmarks

Indicatives targets	Schedule	Indicator
Prior Actions		
1 Submit to the National Assembly a revised budget bill for 2021 in line with the objectives of the program		Letter of transmission to the National Assembly
2 Publish an execution report of expenses related to COVID-19 and executed during the 2020 budget year.		Publication of the report
3 Publish on the ARMP website an overall table of the results of contracts related to COVID-19 and awarded from October 20, 2020 to the end of June 2021, including the actual beneficial owners of contracting entities.		Publication on the ARMP website
4 Submission of the audit prepared by the audit bench of the supreme court (chambre des comptes) of fiscal year 2020 expenses related to COVID-19		Submission to the IMF, Prime Minister, Senate, and National Assembly.
Revenue Mobilization		
5 Prepare a diagnosis of the tax policy and formulate recommendations for the establishment of a development-oriented tax system that at the same time broadens the tax base.	Oct-21	Diagnostic sent to IMF staff
Public finance and debt management		
6 Publish the audit prepared by the audit bench of the spreme court (chambre des comptes) of fiscal year 2020 expenses related to COVID-19	Dec-21	A copy of the audit report published on the website of the Ministry of Finance is sent to IMF staff.
7 Adopt and publish all the implementing texts of the Public Procurement Code, including those relating to the establishment of internal administrative management structures.	Sep-21	A copy of all published texts is provided to IMF staff.
8 Complete the audits of government payment arrears and adopt an arrears settlement plan of arrears certified by these audits.	Dec-21	Communication of the audit report and the clearance plan to IMF staff
9 Pursue the reforms aimed at extending the CUT to the BEAC: (i) present a census of government accounts of administrations, public institutions and agencies, public establishments, and the Autonomous Amortization Fund (CAA) (and the balance of these accounts) excluding counterpart funds as of June 30, 2021 and December 31; (ii) close and repatriate the balances of these CUT accounts to the BEAC before the end of March 2022.	Mar-22	Transmission of the list of non-BEAC accounts and closed accounts and transferred to the BEAC to IMF staff.
10 Carry out a diagnostic study of the public administration pension system, together with recommendations for its improvement	May-22	A copy of this study is given to the IMF staff
Public Investment Management (PIM)		
11 Strengthen the accountability of the implementing units by setting, by decree, the modalities for monitoring the performance of all programs and projects financed both from domestic and external resources.	Sep-21	Decree published
12 Adopt a legal and regulatory framework governing Public-Private Partnerships (PPP) so that all Public-Private Partnership projects follow a single framework.	Jun-22	Legal and regulatory framework published

Table 2. Proposed Structural Benchmarks (concluded)

	Structural Benchmarks	Schedule	Indicator
Public enterprises			
13	Finalize the diagnostic studies of a few large public companies (CAMTEL, PAD, CAMWATER)	Dec-21	diagnostic studies sent to IMF staff
14	Establish an inventory of the respective debts between the public enterprises and the State and between the public enterprises themselves at the end of 2020, and adopt a plan for the clearance of the respective debts between the State and the public enterprises.	Dec-21	Inventory and plan shared with IMF staff
15	Institutionalize, by MINFI instruction, governance by program contracts in order to improve the performance of the public enterprises concerned. Publish these program contracts and evaluation reports on the official MINFI website.	Jun-22	Instruction published in the official newspapers
Extractive Sector			
16	Finalize and publish all the texts of application of the mining code of 2016 (Law n ° 2016/017 of December 14, 2016).	Mar-22	Implementation texts published
Business climate			
17	Make the deposit and consignment fund operational, in particular to collect all the deposits paid by taxpayers in the context of tax disputes and thus make it possible to accelerate such restitution if necessary.	Oct-21	Decree designating the officers of the deposit and consignment fund
18	Strengthen the format of consultation between the public and private sectors by integrating thematic groups with at least semi-annual meetings to monitor the implementation of the recommendations of the Cameroon Business Forum.	Mar-22	New consultation format set up and the first meeting held
19	Revise Law No. 2013/004 of April 18, 2013 to rationalize these incentives and promote healthy competition between economic operators.	Jun-22	A revised law is published

Attachment II. Technical Memorandum of Understanding

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

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

CONDITIONALITY

2. **The quantitative performance criteria and indicative objectives from end-July 2021 until June 2022** are provided in Table 1 of the Memorandum of Economic and Financial Policies (MEFP) attached to the Letter of Intent. The structural benchmarks defined in the program are provided in detail in Table 2 of the MEFP.

DEFINITIONS

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

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

REVENUE

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

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

that would lead to changes in revenue flows. Oil revenue is recorded in the accounting system on a cash basis.

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

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

EXPENDITURE

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

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

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

BALANCE AND FINANCING

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

13. Debt: The definition of "debt" is set out in paragraph 8 (a) of the Guidelines on Public Debt Limits in Fund-Supported Programs attached to the Executive Board Decision 15688–(14/107) adopted on December 5, 2014, but also includes commitments contracted or guaranteed, for which the values have not been received. For purposes of these Guidelines, **"debt"** is understood to mean a direct, i.e., noncontingent, liability created under a contractual arrangement under which a value must be provided, in the form of assets (including monetary assets) or services, and under which the debtor also undertakes to make one or more payments in the form of assets (including monetary assets) or services, according to an established schedule. These payments will discharge the debtor from the principal and/or interest liabilities undertaken under the contract. In accordance with the foregoing definition of debt, any penalties or damages awarded by a court as a result of the nonpayment of a contractual obligation that constitutes debt are debt.

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

15. Variable interest external debt. From July 29, 2021, in the signing of new variable-interest-rate loans in the form of an interest rate plus a spread, the grant component of the debt will be calculated using a reference rate for the program plus the spread (in basis points). Additionally, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD SOFR is 0.04 percent and will remain fixed for the duration of the program. The spread of six-month Euro EURIBOR over six-month USD SOFR is -56 basis points. The spread of six-month JPY OIS over six-month USD SOFR is -8 basis points. The spread of six-month GBP SONIA over six-month USD SOFR is 1 basis point. For interest rates on currencies other than Euro, JPY, and GBP, the spread over six-month USD SOFR is 15 basis points.[1] Where the variable rate is linked to a benchmark interest rate

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

other than the six-month USD SOFR, a spread reflecting the difference between the benchmark rate and the six-month USD SOFR (rounded to the nearest 50 bps) will be added.

16. Concessional external debt: External debt is considered concessional if it comprises a grant component of at least 35 percent.[2] The grant component is the difference between the face value of the loan and its present value expressed as a percentage of the face value. The present value of debt at the date on which it is contractually arranged is calculated by discounting the debt service payments at the date on which the debt was arranged.[3] A discount rate of 5 percent is used for that purpose.

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

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

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

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

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

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

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

provided by the Bank of Central African States (BEAC). These data should be subject to monthly reconciliation between the Treasury and the BEAC.

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

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

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

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

- **Unstructured debt** is defined as:

Unstructured debt of the CAA, which includes all balances payable, and liabilities of the government transferred to the CAA that have not been subject to a reimbursement or securitization agreement. The stock of unstructured debt is estimated at CFAF 68.0 billion at end-2020.
Domestic "floating" debt, including all government's commitments for which a service was provided by a public or private service provider but that has not been subject to any budget commitment. These obligations include invoices payable and not settled to public and private enterprises, but exclude tax debt deriving from debt offsetting operations with public enterprises and the execution of externally financed public procurement agreements that have not been covered by the budget as a result of insufficient budget appropriations. The Directorate General of Budget will conduct a monthly assessment of these commitments in collaboration with the public treasury.

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

QUANTITATIVE PROGRAM OBJECTIVES

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

A. Non-Oil Primary Balance

Performance Criteria

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

24. To ensure consistency among data from different sources used to prepare the table of government financial operations (TOFE), and particularly between the data on fiscal operations reported by the Treasury and data on financing reported by the BEAC, the CAA, and the Treasury, the cumulative level of financing discrepancies in the TOFE (including errors and omissions) for a given month should not exceed 5 percent of the cumulative expenditure for that month, in absolute value. Should this limit be exceeded, a comprehensive reconciliation exercise for all TOFE source data will be undertaken in consultation with IMF staff.

Adjustment

25. The floor on the non-oil primary fiscal balance will be adjusted downward (upward) by the difference if positive (if negative) between the cumulative expenditure since the beginning of the fiscal year covered by the new SDR allocations and the programmed amount of these expenses. The programmed amount of these expenses could reach CFAF 75 billion at the end of September and CFAF 150 billion at the end of December 2021.

Cutoff Dates for Reporting Information

26. The detailed data on government financial operations indicating the primary balance, oil revenue, and the level of miscellaneous expenditure not otherwise classified will be submitted on a monthly basis within six weeks from the end of the month.

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

Performance Criteria

27. A ceiling on net domestic financing of the government excluding net IMF financing is defined as a quantitative objective in Table 1 of the MEFP. For program requirements, net domestic financing of the government excluding net IMF financing will be net domestic financing of the government defined in paragraph 17, not including net IMF financing.

Adjustment

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

29. At the end of each quarter, if disbursements of external budget support are below (above) the programmed amounts, the relevant quarterly ceilings will be adjusted upward (downward) commensurately, within the limit of CFAF 120 billion for each quarter of 2019. This ceiling may be reviewed depending on the rate of budget aid disbursements during the year.

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

Cutoff Dates for Reporting Information

31. The detailed data on net domestic financing of the government (bank and non-bank) and the status of budget support disbursements, reimbursement of external debt service, and the status of external arrears will be submitted on a monthly basis within six weeks after the end of the month.

C. Disbursement of Non-Concessional External Debt

Performance Criteria

32. A ceiling on disbursements of non-concessional external debt is defined as a quantitative objective in Table 1 of the MEFP. This performance criterion is applicable to debt contractually arranged to finance projects. This performance criterion is based on external debt as defined in paragraph 14 and uses the concept of concessionality defined in paragraph 15 of this Technical Memorandum.

Cutoff Dates for Reporting Information

33. Detailed information on disbursements of external debt contracted by the government must be reported within six weeks after the end of the month, indicating the date on which the loans were signed and making the distinction between concessional and non-concessional loans.

D. Net Claims of the Central Bank on the Central Government

Performance Criteria

34. **A ceiling on net claims of the Central Bank on government** is defined as a quantitative objective in Table 1 of the MEFP. This criterion is defined as the difference between the Central Bank's claims on government, excluding IMF financing, in particular unpaid balances of consolidated statutory advances, refinancing of guaranteed bonds, and Treasury securities held by the Central Bank; and cash and total deposits of the Treasury with the Central Bank, including the balance of the special account of unused statutory advances. The balance of this special account will be regularly monitored to maintain the objectives defined in Table 1 of the MEFP.

35. The ceiling on net claims of the Central Bank on government will be adjusted if the disbursements in connection with external budget support are below the programmed levels.

36. At the end of each quarter, if disbursements of external budget support are below (above) the programmed amounts, the relevant quarterly ceilings will be adjusted upward (downward) commensurately, within the limit of CFAF 120 billion for each quarter of 2021. This ceiling may be reviewed depending on the rate of budget aid disbursements during the year.

Cutoff Dates for Reporting Information

37. The BEAC must report the detailed information on all financing from the Central Bank to the government and the statement on the balance of the special account of unused statutory advances within six weeks after the end of the month.

E. Non-Accumulation of External Payment Arrears

Performance Criteria

38. **A ceiling of zero on the accumulation of new external payment arrears** is defined as a continuous quantitative objective in Table 1 of the MEFP. This performance criterion applies to the accumulation of external arrears as defined in paragraph 19 of this Memorandum. In connection with the program, the government undertakes not to accumulate any external payment arrears on its debt, with the exception of arrears subject to rescheduling. The government's non-accumulation of arrears is a performance criterion to be observed on an ongoing basis. This performance criterion will be measured on a cumulative basis on approval of the program.

Cutoff Dates for Reporting Information

39. The data on balances, accumulation, and reimbursement of external arrears will be reported within six weeks after the end of each month. This performance criterion will be monitored continuously by the authorities and any new external arrears should be reported immediately to the Fund.

F. Non-Concessional External Debt Contracted or Guaranteed by the Government

Performance Criteria

40. A ceiling on new non-concessional external debt contracted or guaranteed by the government is defined as a continuous quantitative objective in Table 1 of the MEFP. The government undertakes on an ongoing basis not to contract or to guarantee any non-concessional external debt above the ceiling indicated in Table 1 of the MEFP. This performance criterion is applicable to external debt as defined in paragraph 14 of this Memorandum. It uses the concept of concessionality as defined in paragraph 15 of this Memorandum. This performance criterion is also applicable to any debt guaranteed by the government that constitutes a contingent public liability as defined in paragraphs 14 and 15 of this Memorandum. Moreover, this criterion is applicable to public enterprises defined in paragraph 4 that receive transfers from the government, municipalities, and other entities of the public sector (including agencies of general government and professional, scientific, and technical organizations). However, this performance criterion is not applicable to borrowing arranged in CFA francs, Treasury bills and bonds issued in CFA francs on the CEMAC regional market, regular short-term loans from suppliers, regular import credits, loans from the IMF, or debt relief or rescheduling. For the assessment of this performance criterion, debt relief is defined as the restructuring of debt with the existing creditor that reduces the net present value of the debt, and debt rescheduling is defined as the operations with the existing creditor that spread the average weighted maturities of financial flows without increasing the net present value. This commitment is a performance criterion to be met on an ongoing basis. The ceiling on new non-concessional external borrowing set out in Table 1 of the MEFP applies to any new debt contracted or guaranteed per calendar year starting from the date of program approval.

41. From the date of the program to December 2022, the ceiling on new non-concessional external debt contracted or guaranteed by the government will be set at zero.

Adjustment

42. The performance criterion on contracting or guaranteeing new external non-concessional debt includes two sub-ceilings:

- **Debt for Macro-critical projects.** In 2021, the ceiling on new non-concessional external debt contracted or guaranteed by the government will be adjusted upward, to a maximum of CFAF230 billion exclusively for the projects specified in the authorities' project list (Table 1) and contracted or guaranteed after program approval. To the extent that external debt contracted or guaranteed by the government between January 1st 2021 and the date of program approval and linked to specific projects exceeds CFAF 70 billion, this ceiling would be adjusted downward accordingly. For the first quarter of 2022, until modified by the Executive Board, the 2022 ceiling on new non-concessional external debt contracted or guaranteed by the government will be adjusted upward, up to a maximum determined by the difference (i) CFAF 230 billion, and (ii) the amount of the adjustor applied at end-December 2021, exclusively for the projects specified in the authorities' project list (Table 1).

- **Debt for debt management operations.** The ceiling on new non-concessional external debt contracted or guaranteed by the government will be adjusted also upwards to accommodate debt management operations that result in an improvement the overall debt profile Whether such an operation constitutes an improvement will be determined by the DSA. Debt for debt management operations that improves the overall public debt profile; operations that improve the overall debt profile are operations that reduce the present value of external debt and improve the external debt service profile, this ceiling includes non-concessional budget support for debt management operations, including from France and the AFDB. The ceiling on new non-concessional external debt contracted or guaranteed by the government will be adjusted also upwards to accommodate the amount of non-concessional budget support approved up to a maximum of CFAF 110 billion for 2021 and CFAF 174 billion for 2022.

Cutoff Dates for Reporting Information

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

OTHER INDICATIVE QUANTITATIVE TARGETS

A. Non-Oil Revenue

44. A floor on non-oil revenue as defined in paragraph 7 is defined as an indicative objective in Table 1 of the MEFP.

B. Accumulations of Domestic Payment Arrears

45. A ceiling on net accumulations of domestic payment arrears is defined as an indicative objective in Table 1 of the MEFP. Domestic payment arrears covered by the Treasury are defined in paragraph 18 and do not include unstructured floating debt not covered by the Treasury.

C. Social Expenditure

46. A floor on social expenditure pursuant to paragraph 11 is defined as an indicative objective in Table 1 of the MEFP. These expenditure items will be monitored regularly in connection with program implementation.

Cutoff Dates for Reporting Information

47. The data on the government's financial position as presented in the table of government financial operations, the detailed listing of revenue highlighting oil revenue, domestic payment arrears, and the status of social expenditure execution must be reported within six weeks after the end of the month.

D. Share of Exceptional Expenditure in Total Authorized Expenditure Not Including Debt

48. A ceiling on the share of exceptional expenditure in total authorized expenditure not including debt is defined as an indicative objective in Table 1 of the MEFP. This criterion will be calculated based on the ratio between exceptional expenditure (expenditure excluding debt service paid without prior authorization, including cash advances and provisional commitments) and total authorized expenditure, excluding debt service, that is domestically financed (including wages). Exceptional expenditure will be monitored regularly as part of program implementation.

Cutoff Dates for Reporting of Information

49. Monthly accounting statements showing the amount of cash advances, provisional budget commitments, and advance funds must be reported to IMF staff within three weeks after the end of each month. Authorized expenditure presented in Table M1 of the table of government financial operations will be used to compute this ratio.

DATA SUBMISSION REQUIREMENTS

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

Table 1. List of Projects Under the New Non-concessional Borrowing Limit for 2021

	Projects
1	Project to acquire 25 wagons*
2	East entrance Douala road, Phase II*
3	Completion of the Olembe Sports Complex in Yaounde*
4	Edéa-Kribi road rehabilitation project (110 km) and development of the Lolabé-Campo section (39 km)
5	Construction of 225 KV electrical transmission line for the supply of Kribi industrial port complex
6	Construction of 225kv Ebolowa Kribi and 90 KV Mbalmayo-Mekin power lines and related works
7	EBOLOWA-AKOM II- KRIBI road construction project
8	OLOUNOU- OVENG- Gabon border-Bridge road construction project on the Kom river
9	Douala international airport rehabilitation project, additional financing component B
10	Electrification of 200 localities by Solar Photovoltaic Systems
11	Extension at the national level of the Intelligent video surveillance system (phase 2)

*Projects included in the list of projects under the new non-concessional borrowing limit for 2020 (ECF fifth review).

Table 2. Summary of Data Reporting Requirements			
Information	**Responsible institution**	**Frequency of the data**	**Reporting lag**
Government Finance			
The summary situation of Treasury Operations (La situation résumée des Operations du Trésor (SROT))	Ministry of Finance (MINFI)/DGTC	Monthly	6 weeks
The table of government financial operations (TOFE) and customary annex tables; (data on execution of investments financed with external grants and loans must be available in a timely manner so that the quantitative targets of the program can be determined in a timely manner. If information on physical execution of externally financed projects is not available, the information on requests to draw funds from the donors will be used).	MINFI/DP	Monthly	6 weeks
Domestic budget financing (net bank credit to the government, stock of Treasury bills and bonds pending reimbursement, domestic debt reimbursement status, privatization revenue, and abandoned claims).	MINFI/BEAC	Monthly	6 weeks
Implementation status of social expenditure defined in Paragraph 11.	Ministry of Economy and Finance (MINEFIN)/DGB	Monthly	6 weeks
Status of balances payable for the current fiscal year (orders unpaid) making the distinction between those over 90 days and others.	MINFI/DGT	Monthly	6 weeks
Domestic debt reimbursement status.	MINFI/CAA	Monthly	6 weeks
Statistics on external debt contracted and guaranteed (detailed listing of external debt service matured/paid, list of new loans specifying the financial conditions, loans guaranteed and external arrears, and list of contracts in the process of negotiation).	MINFI/CAA	Monthly	4 weeks The signing or guaranteeing of external debt, and the occurrence of external payment arrears must be reported immediately to the IMF.
Monthly monitoring report on calls for funds and effective disbursements.	CAA/MINEPAT	Monthly	4 weeks

Table 2. Summary of Data Reporting Requirements (continued)			
Data on the implementation of the public investment program, including a detailed listing of financing sources.	MINFI/Ministry of Economy, Planning and Regional Development (MINEPAT)/CAA	Quarterly	6 weeks
Monthly accounting statements showing the amount of cash advances, advance funds, and the balance of provisional budget commitments.	MINFI	Monthly	6 weeks
Publish the oil product price structure.	MINFI/CSPH	Monthly	First week of the current month
Prices, consumption, and taxation of oil products, including: (i) the current price structure for the month in question; (ii) the detailed calculation of the price structure based on the free on board price to obtain the retail price; (iii) volumes purchased and distributed for consumption by the oil distributor (SONARA and marketers), with the distinction between retail sales and sales to industries; and (iv) a breakdown of tax revenue on petroleum products—customs duty, excise tax on petroleum products (TSPP), and value-added tax (VAT)—and support for the refinery and the situation of shortfalls and overpayments.	MINFI/CTR/CSPH	Monthly	6 weeks
Monthly statement of the correspondent accounts (including Account 42) and consignment deposits with the Treasury broken down into major categories (administrative services, public enterprises, general government enterprises, international organizations, private depositors, and other).	MINFI/DGT	Monthly	6 weeks
Provide revenue forecasts for the Directorate General of Taxes; Directorate General of Customs; and Directorate General of Budget by type of tax on an annual basis and on a monthly basis, and outturn as compared with forecasts.	DGI, DGD, DGB	Monthly	6 weeks

Table 2. Summary of Data Reporting Requirements (concluded)

Balance of Payments			
Preliminary annual balance of payments data.	MINFI	Annual	9 months
Foreign trade statistics.	MINFI/INS	Monthly	6 weeks
Any revision of the balance of payments data (including services, private transfers, official transfers, and capital transactions).	BEAC/MINFI	On revision	2 weeks
Real Sector			
Provisional national accounts and any revision of the national accounts.	INS	Annual	6 months
Quarterly National Accounts.	INS	Quarterly	3 months
Disaggregated consumer price indices for the cities of Douala and Yaoundé	INS	Monthly	4 weeks
Consumer price indices disaggregated by city, product and at the national level.	INS	Monthly	6 weeks
Structural Reforms and Other Data			
Any official report or study devoted to Cameroon's economy, from its date of publication or finalization.	MINEPAT		2 weeks
Any decision, decree, law, order, or circular having economic or financial implications, from its publication date or effective date.	MINFI/MINEPAT		2 weeks
Report on the implementation of expenditure of the special allocations account (CAS) COVID-19	MINFI/DGB	Bi-annually	3 months
CAS-COVID-19 expenditure audit report	MINFI/DGB	Annually	6 months

CAMEROON

REQUEST FOR THREE-YEAR ARRANGEMENTS UNDER THE EXTENDED CREDIT FACILITYAND THE EXTENDED FUND FACILITY— DEBT SUSTAINABILITY ANALYSIS

July 16, 2021

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

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

Cameroon is at high risk of external and overall public debt distress. Three out of four external debt indicators breach the thresholds under the baseline scenario, with a particularly large and sustained breach for the external debt service-to-exports ratio. In addition to the signals from the external debt indicators, the PV of public debt-to-GDP ratio is also above the benchmark. However, Cameroon's debt can be assessed as sustainable considering that despite worsened risk signals driven by tighter thresholds associated with the updated Composite Indicator (CI)[1], Cameroon's overall debt profile has improved compared to the previous DSA, and levels of debt and debt service are below those sustained in the recent past. The rating is vulnerable to downside risks including more protracted and severe disruptions due to the pandemic, unsuccessful restructuring of SONARA's debt, and resurgence of socio-political tensions. On the other hand, stronger exports driven by rising international oil prices could reduce Cameroon's debt service burden. Given the high risk of debt distress, policy measures to mitigate risks, including through a gradual fiscal consolidation in line with crisis mitigation efforts, limited reliance on non-concessional borrowing, further strengthening public debt management, and prudent management of SOEs remain critical.

[1] Cameroon's CI score based on the April 2021 WEO and the 2019 World Bank CPIA data is 2.65, signaling a *weak* debt-carrying capacity.

PUBLIC DEBT COVERAGE

1. **Debt coverage has remained unchanged since the previous DSA (Text Table 1).** Public debt coverage includes debt of the central government, expenditure floats and arrears, guarantees, debt of a public oil company SONARA[2] and contingent liabilities linked to some of other state-owned enterprises (SOEs)[3]. The DSA does not cover local government debt as local governments are not allowed to borrow from financial markets and most of their debt is on domestic suppliers including SOEs. Other elements in the general government due to lack of data, but the authorities are considering enhancing data collection on these sectors. 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	Check box
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 covered in the DSA owing to lack of comprehensive data on cross-debt holdings could be significant and will be clarified going forward.** Total SOE debt was estimated at around 12.6 percent of GDP in the previous DSA (based on 2020 budget law annex). Considering that about 1.5 percent of GDP is owed to the government, and the DSA already includes SONARA's debt that amounts to 3.1 percent of GDP, the remaining stock of SOE debt not accounted in the debt stock could amount to 8.0 percent of GDP. On the other hand, the authorities' estimate of SOE debt not included in the DSA is about 1 percent of GDP (Text Table 3). Building on the authorities' planned audit on the cross-debts among SOEs and between SOEs and the state, staff and the authorities will clarify this gap and gradually expand the perimeter taking account of implications on the fiscal sector.

3. **The contingent liability stress test accounts for vulnerabilities associated with SOE debt not included in the debt stock, as well as risks from Public-Private Partnerships (PPPs) and financial markets (Text Table 2).** As discussed above, SOE debt not included in the debt stock is estimated at 8.0percent of GDP as of end-2020. The capital stock of PPPs is about 7.0 percent of GDP, corresponding to a contingent liability of 2.4 percent of GDP (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

[2] Excludes letters of credit provided by domestic banks amounting to CFAF 90.3 billion as of end-2020, given their short-term revolving nature.

[3] These include a supplier credit to a SOE (Euro 8.9 million) and a compensation claim on a SOE for termination of contract (Euro 6.2 million) identified in the previous DSA.

[4] This is mainly due to limited capacity in tracking debt holdings of non-residents. Debt with available data including borrowing from the Development Bank of the Central African States and treasury bills held by non-residents, both in CFAF (CFAF 24.4 and 6.2 billion respectively) are classified as external debt.

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

		Default	Used for the analysis	Reasons for deviations from the default settings
1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt		
2	Other elements of the general government not captured in 1.	0 percent of GDP	0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	8.0	Estimate of SOE debt not included in debt stock
4	PPP	35 percent of PPP stock	2.4	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5	
	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. Evolution of Debt

4. **Public debt has continued to grow over the recent years, with increasing share of domestic debt (Text Table 3).** According to staff estimates, as of end-2020, total public and publicly guaranteed (PPG) debt reached CFAF 10,511 billion (45.8 percent of GDP). External debt stock was estimated at CFAF 7,143 billion (31.1 percent of GDP), with some slower growth since 2019. Meanwhile, domestic debt showed strong increase, reaching CFAF 3,368 billion (14.7 percent of GDP) at end 2020, driven by large issuances of treasury bills (BTA) and government bonds (OTA).

Text Table 3. Cameroon: Evolution of Total PPG Debt

	2016		2017		2018		2019		2020 (Prel.)	
	Bn CFAF	% GDP	Bn CFAF	% GDP	Bn CFAF	% GDP	Bn CFAF	% GDP	Bn CFAF	% GDP
Total Public Debt (authorities' estimate)	**6010**	**31.1**	**6829**	**33.6**	**7933**	**36.9**	**9786**	**42.8**	**10366**	**45.2**
Debt of the central government	5246	27.1	6227	30.6	7371	34.3	8695	38.0	9415	41.0
External debt	3942	20.4	4649	22.9	5652	26.3	6398	28.0	6736	29.3
Domestic debt (excl. arrears)	1304	6.7	1578	7.8	1719	8.0	2034	8.9	2493	10.9
Unpaid government obligations (float and arrears) 1/							264	1.2	186	0.8
Publicly guaranteed debt (external)	66	0.3	51	0.3	46	0.2	37	0.2	28	0.1
Debt of SOEs (unguaranteed)	698	3.6	551	2.7	517	2.4	1053	4.6	923	4.0
SONARA 2/	114	0.6	108	0.5	156	0.7	745	3.3	694	3.0
of which: external	25	0.1	33	0.2	52	0.2	371	1.6	359	1.6
of which: domestic (bank debt)	89	0.5	75	0.4	103	0.5	374	1.6	335	1.5
Ex-SONARA 3/	584	3.0	443	2.2	361	1.7	308	1.3	229	1.0
of which: external	70	0.4	64	0.3	72	0.3	145	0.6	94	0.4
of which: domestic (bank debt)	514	2.7	379	1.9	289	1.3	164	0.7	135	0.6
Total External	4103	21.2	4798	23.6	5822	27.1	6951	30.4	7217	31.4
Total Domestic	1907	9.9	2032	10.0	2112	9.8	2835	12.4	3149	13.7
Total Public Debt (staff estimate)	**6434**	**33.3**	**7659**	**37.7**	**8512**	**39.6**	**9669**	**42.3**	**10511**	**45.8**
Debt of the central government	5901	30.5	7066	34.8	7860	36.6	9037	39.5	9777	42.6
External debt	3942	20.4	4649	22.9	5652	26.3	6398	28.0	6736	29.3
Domestic debt (excl. arrears)	1304	6.7	1578	7.8	1719	8.0	2034	8.9	2493	10.9
Unpaid government obligations (float and arrears) 1/	655	3.4	838	4.1	489	2.3	606	2.7	547	2.4
Publicly guaranteed debt (external)	66	0.3	51	0.3	46	0.2	37	0.2	28	0.1
Debt of SOEs (unguaranteed)	467	2.4	542	2.7	606	2.8	594	2.6	706	3.1
SONARA 2/	457	2.4	534	2.6	597	2.8	585	2.6	698	3.0
of which: external (incl. arrears)	293	1.5	383	1.9	446	2.1	386	1.7	370	1.6
of which: domestic	165	0.9	151	0.7	151	0.7	199	0.9	328	1.4
Ex-SONARA (external) 3/	10	0.0	9	0.0	9	0.0	9	0.0	8	0.0
Total External	4310	22.3	5092	25.0	6152	28.6	6831	29.9	7143	31.1
Total Domestic	2124	11.0	2567	12.6	2360	11.0	2838	12.4	3368	14.7

Sources: Cameroonian authorities (Portefeuille de la dette publique du Cameroun au 31 décembre 2020 & viabilité à l'horizon 2030), and IMF staff calculations.
1/ Staff estimate includes floats, arrears, and "floating" domestic debt at the Treasury as defined in the TMU, while authorities' estimate only includes overdue payments of more than trhee months.
2/ Authorities' estimate of historical SONARA debt varys significantly with previous data. Staff maintains estimates in the previous DSAs until further clarification.
3/ Difference in estimates is due to the scope of coverage as described in paragraph 2 and footnote 3.

5. The composition of external debt has changed moderately. The share of multilateral debt continued to increase, amounting to 38.6 percent of the total PPG external debt as of end-2020 (Text Table 4). In Cameroon's bilateral debt, debt owed to China represents 62 percent of total bilateral debt.[5] Commercial debt includes a Eurobond (CFAF 450 billion) issued in 2015. Around 40 percent of external debt is on concessional terms and 39 percent is denominated in Euros. Average maturity stood at 9.1 years for external debt (excluding SONARA's debt), while the weighted average interest rate stood at 2.5 percent. Around 26 percent of external debt has a flexible interest rate.

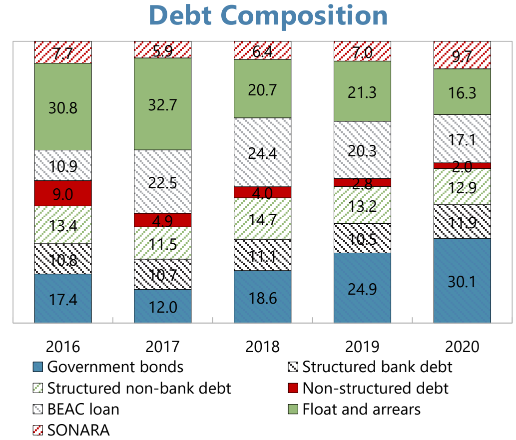
Text Table 4. Cameroon: External Debt Composition

	2016	2017	2018	2019	2020 (Prel.)	2016	2017	2018	2019	2020 (Prel.)
	(Billions of CFAF)					(Percent share)				
Total PPG External Debt (staff estimate)	**4310**	**5092**	**6152**	**6831**	**7143**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Debt of the central government	**3942**	**4649**	**5652**	**6398**	**6736**	**91.5**	**91.3**	**91.9**	**93.7**	**94.3**
Multilateral	**1152**	**1450**	**1995**	**2349**	**2754**	**26.7**	**28.5**	**32.4**	**34.4**	**38.6**
IMF	52	191	268	302	546	1.2	3.7	4.4	4.4	7.6
World Bank (IDA, IBRD)	572	725	835	1026	1029	13.3	14.2	13.6	15.0	14.4
African Development Bank/Fund	331	342	636	693	826	7.7	6.7	10.3	10.1	11.6
Other Multilateral	196	192	256	328	354	4.6	3.8	4.2	4.8	5.0
Bilateral	**2077**	**2440**	**2716**	**3077**	**3069**	**48.2**	**47.9**	**44.2**	**45.1**	**43.0**
Paris Club	599	737	868	957	1020	13.9	14.5	14.1	14.0	14.3
Non-Paris Club	1478	1703	1848	2120	2049	34.3	33.4	30.0	31.0	28.7
of which: China	1441	1649	1745	1965	1895	33.4	32.4	28.4	28.8	26.5
Commercial	**713**	**760**	**941**	**972**	**913**	**16.5**	**14.9**	**15.3**	**14.2**	**12.8**
of which: Eurobond	450	450	450	450	450	10.4	8.8	7.3	6.6	6.3
Guaranteed external debt	**66**	**51**	**46**	**37**	**28**	**1.5**	**1.0**	**0.7**	**0.5**	**0.4**
Unguaranteed SOE debt (incl. arrears)	**303**	**392**	**455**	**395**	**379**	**7.0**	**7.7**	**7.4**	**5.8**	**5.3**
SONARA	293	383	446	386	370	6.8	7.5	7.2	5.7	5.2
Others	10	9	9	9	8	0.2	0.2	0.1	0.1	0.1

Sources: Cameroonian authorities, and IMF staff calculations.

6. The composition of domestic debt has shifted towards a larger share of government bonds (Text Figure 1). Government bonds issuance (including BTA and OTA) continued to increase last year, driven by additional spending needs in response to the pandemic. The share of float and arrears has continued to decline from about 33 percent in 2017 to 16.3 percent in 2020. The share of BEAC statutory advances also declined, representing 17.1 percent at end-2020. Average maturity of domestic debt (excluding the float and SONARA's debt) stood at 3.9 years and the average weighted interest rate at 3.0 percent.

Text Figure 1. Cameroon: Domestic Public Debt Composition



[5] Includes a loan from Poly Technologies / Exim Bank of China (CFAF 37.5 billion) which had been accounted as commercial debt in the previous DSA.

7. **The stock of contracted-but-undisbursed debt (SENDs) continued to decrease.** The stock of SENDs as of end-2020 is estimated at CFAF 3,147 billion, indicating a further decline compared with CFAF 3,470 billion in the previous year (Text Table 5). The remaining stock comprises exclusively external SENDs as domestically financed SENDs were finally disbursed in July 2020. The share of multilateral SENDs increased to 56 percent in 2020, with the signature of new loans to finance development projects. Shares of bilateral and commercial SENDs stood at 26 percent and 18 percent respectively. China continues to be the largest creditor in bilateral SENDs, accounting for about 20 percent of the total SENDs stock. Over the recent years, the authorities have taken important steps to enhance monitoring and management of SENDs, resulting in a reduction of overall and problematic SENDs.[6] However, the stock of SENDs remains substantial and further efforts are warranted to reassess and cancel SENDs associated with old and non-performing projects.

Text Table 5. Cameroon: Stock of SENDs

	2016		2017		2018		2019		2020 (Prel.)	
	Bn CFAF	% GDP	Bn CFAF	% GDP	Bn CFAF	% GDP	Bn CFAF	% GDP	Bn CFAF	% GDP
Stock of contracted-but-undisbursed debt (SENDs)	**3936**	**20.3**	**4328**	**21.3**	**4043**	**18.8**	**3470**	**15.2**	**3147**	**13.7**
Domestic	281	1.5	178	0.9	171	0.8	65	0.3	0	0.0
External 1/	3655	18.9	4149	20.4	3873	18.0	3405	14.9	3147	13.7
o/w multilateral	1346	7.0	1746	8.6	1627	7.6	1671	7.3	1769	7.7
o/w bilateral	1783	9.2	1710	8.4	1545	7.2	1121	4.9	824	3.6
o/w commercial	526	2.7	693	3.4	701	3.3	613	2.7	554	2.4

1/ Excludes budget support.

Sources: Cameroonian authorities, and IMF staff calculations.

8. **No new sovereign external arrears were accumulated since September 2020.** The DSA includes external arrears of SONARA and other SOEs, CFAF 246.5 billion and CFAF 8.32 billion as of end-2020 respectively, but no sovereign external arrears. Domestic arrears are estimated at CFAF 547 billion as of end-2020.

9. **Cameroon's capacity to monitor and manage public debt for the purposes of the IMF's debt limits policy is adequate, but further improvements are needed.** Cameroon's public debt management has improved in recent years. All project financing proposals and projects financed through PPPs are examined by the National Public Debt Committee (CNDP) and signing of a new loan agreement is granted only when there is an unconditional approval. Procedures and responsibilities for loan operations and public debt management have been clarified in the manual published in 2019. However, CNDP's engagement is oftentimes delayed until late in the debt contracting process, and Cameroon's debt policy is yet to be firmly anchored by its medium-term debt management framework, resulting in significant discrepancies between announced plans and actual financing. Further efforts are warranted to strengthen active engagement of the CDNP and enhance the effectiveness of the medium-term public debt strategy (MTDS), including through improved estimates of financing needs, development of consistent annual

[6] 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. Problematic SENDs are estimated at CFAF 1,926 billion as of end-2020.

borrowing plans, and an enhanced communication strategy to facilitate creditors' understanding of the authorities' debt management objectives.

10. External private sector debt has increased. Private external debt has increased to US$ 1,403 million at end-2019. Most debt is in direct investments held by foreign parent companies and official institutions.

B. Macroeconomic Forecast

11. The macroeconomic framework reflects recent economic developments as well as policies underlying the proposed IMF arrangements. Relative to the previous DSA, estimated real GDP growth for 2020 has been revised up from -2.8 percent to -1.5 percent, reflecting less than anticipated impact from the pandemic. Overall fiscal deficit (payment order basis, excluding grants) narrowed from -4.6 percent to -3.4 percent of GDP, while the current account balance (including grants) improved from -5.4 percent to -3.7 percent of GDP. Baseline projection assumes implementation of the national vaccine deployment plan, which aims to cover at least 5 million people this year and 15 million people (60 percent of the population) by end-2022. It also incorporates policy parameters in the context of the proposed IMF program, which focuses on (i) mitigating the impact of the pandemic; (ii) reinforcing good governance and strengthening transparency and anti-corruption; (iii) accelerating structural fiscal reforms; (iv) strengthening debt management; and (v) improving the business environment and accelerating private-sector-led economic diversification. The program envisages a gradual fiscal consolidation path reflecting revenue measures including streamlining tax exemptions and recovering tax arrears, and policies to contain current spending broadly at the current level. These measures will create space to support spending with higher economic and social impact and strengthen public investment and social protection, which would result in a gradual recovery in the medium term, followed by a more benign growth outlook, higher export bases, stronger revenue mobilization in the long run (Box 1, Text Table 6).

Box 1. Medium and Long-Term Macroeconomic Assumptions

Medium Term, 2021-2025

- Real GDP growth is projected to average 4.7 percent of GDP, broadly in line with the previous DSA. A stronger rebound in the non-oil sector is expected to offset a decline in oil production. Annual inflation is projected to remain around 2.0 percent in the medium-term, below the CEMAC convergence criteria of 3 percent.
- Overall fiscal balance is projected to average -2.4 percent of GDP (payment order basis, excluding grants). The projections are anchored on continued improvements in non-oil revenue mobilization, allowing a gradual return to the fiscal consolidation path consistent with program objectives and CEMAC convergence criterion. The revenue-to-GDP ratio (excluding grants) is projected to rise to average 15.5 percent on the back of administration modernization and base-broadening measures.
- The current account balance (including grants) is projected to improve gradually, averaging -3.4 percent of GDP in the medium term, with expected rebounds in oil and non-oil exports and more favorable service trade.

Box 1. Medium and Long-Term Macroeconomic Assumptions (concluded)

Long Term, 2026-2041

- Real GDP growth is projected to average 5.8 percent in the long term, as the private sector gains competitiveness and increases investment.
- The revenue-to-GDP ratio (excluding grants) is projected to rise averaging 17.9 percent, supported by the ongoing structural fiscal reform. The outlook assumes that a gradual fiscal consolidation will continue beyond the program horizon.
- Exports of goods and services are projected to decline from an average of 17.6 percent of GDP in 2021-25 to around 15.8 percent of GDP in the long-term, reflecting falling oil production. The current account is assumed to gradually improve as non-oil exports remain dynamic and imports grow at a lower rate.

Text Table 6. Cameroon: Key Macroeconomic Assumptions, 2021–2041

	2016-2019	2020	2021-2025	2026-2041
Real GDP growth (percent)				
Current	4.0	-1.5	4.7	5.8
RCF 2 DSA Update	4.0	-2.8	4.7	5.6
Inflation, GDP deflator (percent)				
Current	1.7	2.0	2.0	1.9
RCF 2 DSA Update	1.5	1.2	1.9	1.8
Overall fiscal balance excluding grants, payment order basis (percent of GDP)				
Current	-4.6	-3.4	-2.4	-1.6
RCF 2 DSA Update	-4.6	-4.6	-2.6	-1.6
Total revenue excluding grants (percent of GDP)				
Current	15.0	13.6	15.5	17.9
RCF 2 DSA Update	15.0	12.8	14.3	14.8
Current account balance including grants (percent of GDP)				
Current	-3.4	-3.7	-3.4	-2.1
RCF 2 DSA Update	-3.5	-5.4	-2.6	0.9
Exports of goods and services (percent of GDP)				
Current	19.2	15.7	17.6	15.8
RCF 2 DSA Update	19.2	14.5	16.6	14.9
Oil price (US dollars per barrel)				
Current	56.3	41.3	53.6	50.5
RCF 2 DSA Update	56.3	41.7	49.1	51.2

Sources: Cameroonian authorities; IMF staff calculations.

12. **Financing assumptions have been updated based on the most recent data.** Cameroon's public gross financing needs over the 2021-2024 period is estimated at CFAF 8,282 billion (31.0 percent of GDP), of which average 53 percent is assumed to be financed externally.[7] The authorities have recently requested an extension for the G20 debt service suspension initiative (DSSI) extension, and the DSA reflects expected debt service relief of CFAF 166.4 billion over the period of January to December 2021 (CFAF 83.4 billion estimated to be deferred in July to December period). The DSA includes an issuance of a new Eurobond amounting CFAF 450 billion in 2021 to repurchase the maturing Eurobond[8]. The DSA also reflects a

[7] The projection follows the budget, which reflects larger shares of domestic financing compared to the MTDS. External financing shares in the MTDS for the period 2021-2023 are 62%, 60%, 61% respectively.

[8] The newly issued Eurobond is denominated in Euros (EUR 685 million), has 12 years of maturity and 5.95% coupon rate. The authorities have repurchased 79.42 percent of the outstanding old Eurobond with the proceeds. The nominal value of the repurchase (CFAF 328.3 bn) was accounted as principal repayments; the redemption premium (including the difference between market price and the nominal value) and accrued interest rate (total CFAF 63.5 bn) were accounted as interest payments. The remaining proceeds, with related budget savings (CFAF 37.5 billion) are

(continued)

proposed IMF financing of CFAF 375 billion (SDR 483 million, 175 percent of quota) and prospective budget support from doners amounting to CFAF 474 billion in 2021-2024. External project financing is projected based on the budget, and the mix of disbursements from 2022 is assumed to follow the composition of SENDs as of end-2020. After 2023, the composition gradually shifts towards commercial borrowing, decreasing the grant element. Financing terms for new external debt is unchanged from the previous DSA. 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.

13. Financing assumptions regarding SONARA reflect latest information on debt restructuring. The DSA reflects rescheduled debt service projections as agreed with local banks in September and November 2020 to repay short-term credits (CFAF 155 billion at end-2020) over the coming 24 months, and medium-term credits (CFAF 132 billion at end-2020) over the coming 84 months. Given the short-term revolving nature, letters of credit provided by domestic banks (CFAF 90.3 billion at end-2020) were excluded from SONARA's debt stock. As in the previous DSA, restructuring of debt held by external creditors including oil traders is not assumed in the baseline given the ongoing negotiations. Also in line with the previous DSA, short-term debt from external oil traders is classified as arrears.[9] In addition, a portion of SONARA's medium and long term external debt that was due for repayment in 2020 (estimated at around CFAF 31 billion) was classified as arrears. In terms of operation, SONARA is assumed to continue functioning as an importer of refined oil, while gradually recovering its production capacity starting from 2024 and reaching 60 percent of the pre-crisis level in 2027. Among SONARA's revenue, only financing expenses (CFAF 20 billion per year) and net income are assumed to be used for debt service and accounted as part of the fiscal revenue in DSA.[10] The cost of potential reconstruction of the refinery operation is not incorporated in the baseline as it is still being assessed by the authorities and discussions with the insurance company are ongoing.

14. The realism tool highlights risks to the baseline projections (Figure 3). The projected 3-year fiscal adjustment is considered achievable given the exceptional outturn in 2020 due to the pandemic and the distribution of LIC fiscal adjustments under the past IMF programs. The growth projection deviates from the path implied by the projected fiscal consolidation, but the impacts of the COVID-19 pandemic may not be well-captured by the exercise. Government investment is projected to recover at a gradual pace, resulting in a slightly higher contribution to growth compared to the previous DSA.

15. The forecast error tool indicates different debt dynamics compared to historical developments, suggesting potential challenges (Figure 4). Current account and FDI are expected to contribute to a small decrease in external debt rather than an increase observed in the past, while real GDP

expected to finance projects in 2022. The remaining old Eurobond (estimated at CFAF 93 billion) is assumed to be repaid in equal tranches in 2023-2025.

[9] Partial clearance of these arrears through SONARA's asset sales and conversion of the debt held by SNH (totaling CFAF 85 billion) that had been reflected in the previous DSA was reverted back as the transactions have not been confirmed.

[10] In previous DSAs, SONARA's total revenue and expenditures were consolidated with central government revenue and expenditures.

growth and price and exchange rate is projected to further draw down external debt. Projected change in the public debt is driven by a smaller contribution of primary deficit and stronger contribution of real GDP growth. The forecast error is similar to the median of other LICs.

C. Country classification and determination of scenario stress tests

16. Cameroon's debt carrying capacity has been downgraded to 'weak' based on worsened growth outlook and reserves coverage. The CI score based on the April 2021 WEO projections and the 2019 World Bank CPIA score is 2.65, signaling a weak debt carrying capacity. Compared to the previous DSA, domestic and world GDP growth rate and the import coverage of reserves have deteriorated, while the CPIA score remained the same and remittances increased marginally. Due to the downgrade, thresholds for the external debt burden indicators and the benchmark for the PV of total public debt have been lowered. (Text Table 7).

Text Table 7. Cameroon: Calculation of the CI Index

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Weak	Weak 2.651	Medium 2.755	Medium 2.774

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.287	1.265	48%
Real growth rate (in percent)	2.719	3.670	0.100	4%
Import coverage of reserves (in percent)	4.052	28.978	1.174	44%
Import coverage of reserves^2 (in percent)	-3.990	8.397	-0.335	-13%
Remittances (in percent)	2.022	1.510	0.031	1%
World economic growth (in percent)	13.520	3.078	0.416	16%
CI Score			2.651	100%
CI rating			Weak	

Reference: Thresholds by Classiciation

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

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

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

DEBT SUSTAINABILITY

A. External Debt Sustainability

18. External risk of debt distress is assessed high as three indicators breach the thresholds under the baseline scenario (Table 3 and Figure 1). Under the tighter thresholds associated with Cameroon's downgraded debt carrying capacity, the external debt service-to exports ratio and the external debt service-to-revenue ratio breach their respective thresholds, with the former showing a large and sustained breach. Significant increases in debt service payments in 2021 are driven by the redemption of the maturing Eurobond. The indicators show reduced debt service burden in the following years compared to a hypothetical scenario without the Eurobond refinancing (Figure 1, bottom panel), which implies that the Eurobond refinancing helps improve Cameroon's debt profile. Meanwhile, the PV of external debt to-exports ratio shows a one-time marginal breach in 2021, before declining below the threshold afterward.

19. Under stress tests, thresholds for all four indicators are breached. Export shock turns out to be the most extreme shock scenario for the PV of debt-to-GDP, the PV of debt-to-exports, and the debt service-to-exports ratios. Both the PV of debt-to-exports and the debt service-to-exports ratios show large breaches throughout the projection period. 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 22.3 percent in 2022. Historical scenarios point towards exploding PV of debt-to-GDP and PV of debt-to-exports ratios, which reflect large historical current account deficit. This differs from projections under the baseline, which assume a gradual improvement in the current account balance driven by dynamic non-oil exports and moderate imports growth supported by fiscal balance converging to the CEMAC criterion.

B. Public Debt Sustainability

20. Overall risk of public debt distress is assessed high as the PV of debt-to-GDP ratio breaches the benchmark under the baseline scenario. It is projected to decline gradually but staying above the benchmark until 2024. The PV of debt-to-revenue ratio and the debt service-to-revenue ratio are also projected to decline gradually. The most extreme shock for all three public debt burden indicators is the combined contingent liabilities, under which the PV of debt-to-GDP ratio stays above the benchmark throughout the projection period. The historical scenario projects an explosive path for the PV 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

21. The market financing tool points to low risks associated with market financing pressures (Figure 5). Cameroon's maximum three-year gross financing needs is estimated at 9 percent of GDP, which is lower than the suggested benchmark (14 percent). Cameroon's EMBI spread (355 as of June 14) is also below the benchmark (570). With neither indicator breaching thresholds, the module signals low market financing pressures.

D. Other considerations

22. **Despite worsened risk signals, Cameroon's overall debt profile has slightly improved compared to the previous DSA.** Debt and debt service burden indicators have been revised down, reflecting the recent refinancing of the maturing Eurobond and less-than-anticipated deterioration in fiscal and external balance due to the pandemic.

E. Risk Rating and Vulnerabilities

23. **Cameroon is at high risk of debt distress, but debt remains sustainable.** The risk of external debt distress is high as three out of four indicators breach the thresholds under the baseline scenario. The external debt service-to-exports ratio particularly shows a large and sustained breach, indicating a fragile liquidity situation. In addition to the signals from the external debt indicators, the PV of public debt-to-GDP ratio is above the benchmark, suggesting a high risk of overall debt distress. However, Cameroon's debt can be assessed sustainable despite the large breaches driven by changes in thresholds associated with the updated CI score, as Cameroon's overall debt profile has improved since the last DSA and levels of debt and debt service are below those sustained in the recent past.

24. **This rating is vulnerable to a range of risks.** Key downside risks include a more protracted and severe COVID-19 shock, less-than-expected exports, resurgence of socio-political tensions, and unsuccessful restructuring of SONARA's debt. Other 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 other hand, stronger exports driven by rising international oil prices could reduce Cameroon's debt service burden.

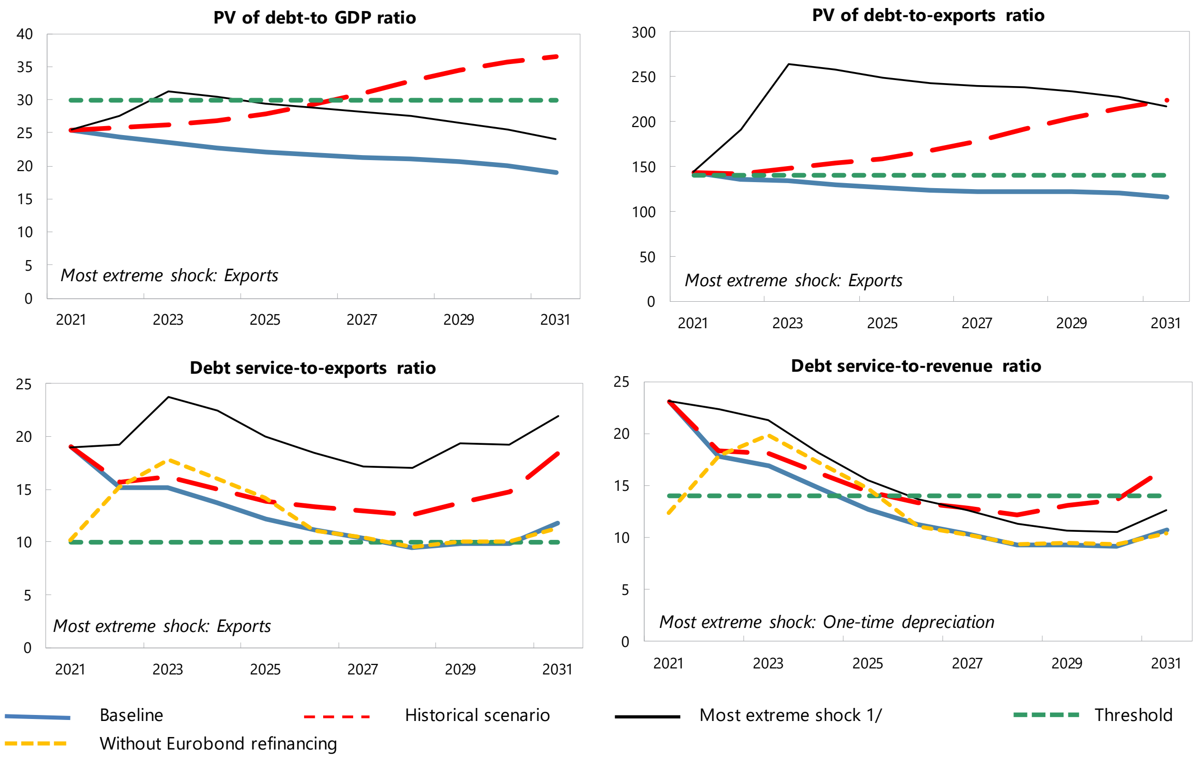
25. **Significant efforts are warranted to ensure debt remains on a downward trajectory and sustainability is strengthened.** A gradual fiscal consolidation in line with crisis mitigation efforts, a steadfast implementation of structural fiscal reforms, and a prudent borrowing policy skewed towards concessional loans remain essential to keeping public debt dynamics on a sustainable path. Allowing for new non-concessional borrowing would further weaken debt sustainability and undermine their efforts to secure international community's support in an environment in which G20 agreed on debt service suspension on bilateral government loans for low-income countries. Vulnerable debt indicators expressed as a proportion of exports point to the need for improving competitiveness and achieving economic diversification. SONARA's debt restructuring efforts need to be strengthened while fundamentally building its financial viability. Finally, sound management of the SENDs need to be maintained.

Authorities' Views

26. **The authorities viewed Cameroon's debt sustainability outlook more positively than staff**. They highlighted that Cameroon's debt carrying capacity remains adequate despite the decline in the CI score. They also noted that a stronger mid- and long-term growth, a successful completion of SONARA's debt restructuring, with the Eurobond refinancing substantially improve Cameroon's overall debt profile. However, they agreed with the need for a prudent debt management to safeguard Cameroon's debt sustainability, including through limiting non-concessional borrowing to critical projects where

concessional financing is not available. They also reiterated their commitment to reassess and cancel SENDs related to old and non-performing projects, and to strengthen controls on SOEs to reduce fiscal risks.

Figure 1. Cameroon: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2021–2031



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price 2/	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	1.9%	1.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	5	5

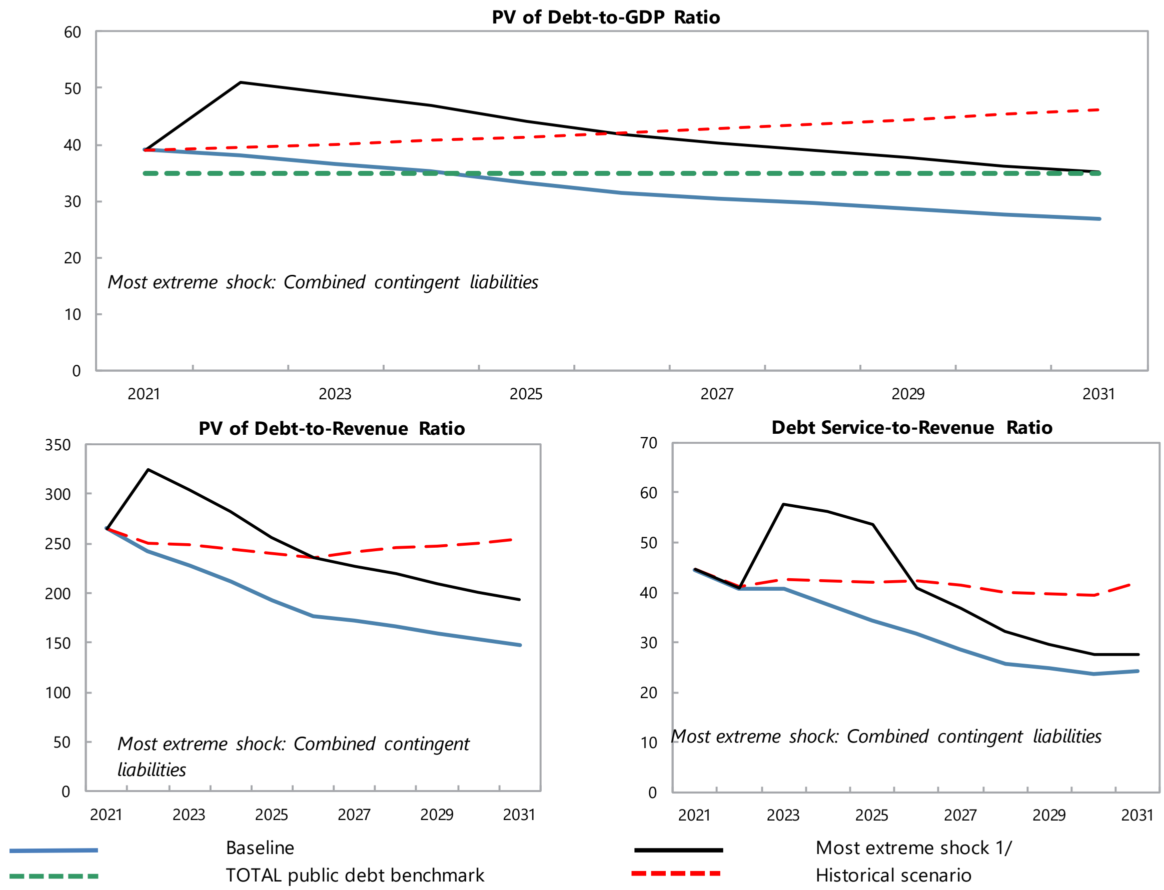
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2031. 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, 2021–2031



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	51%	51%
Domestic medium and long-term	33%	33%
Domestic short-term	16%	16%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.9%	1.9%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.3%	3.3%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	1
Domestic short-term debt		
Avg. real interest rate	1.1%	1.1%

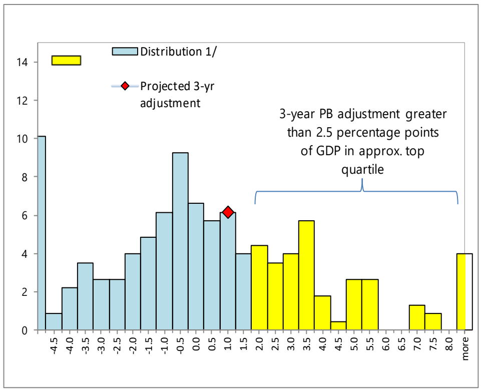
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2031. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

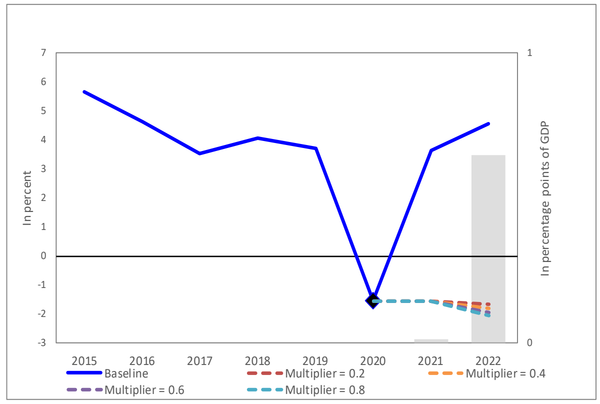
Figure 3. Cameroon: Realism Tools

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



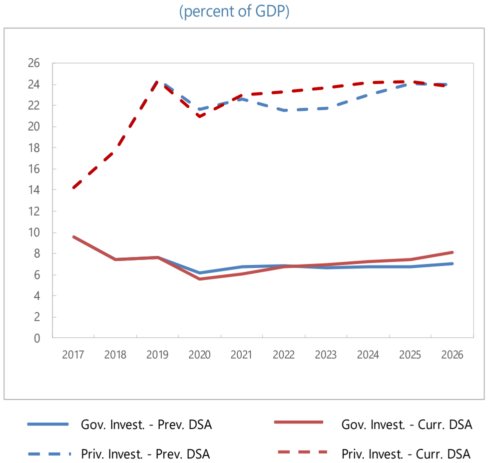
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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

Public and Private Investment Rates (percent of GDP)



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

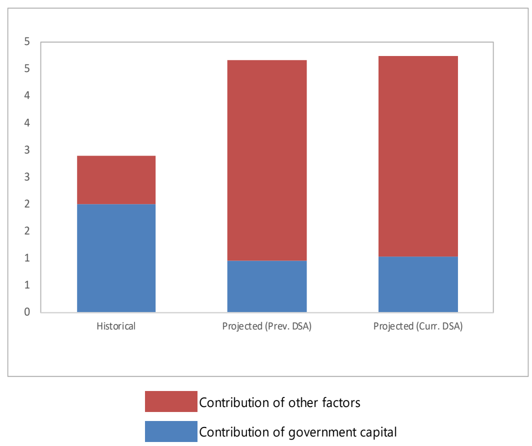
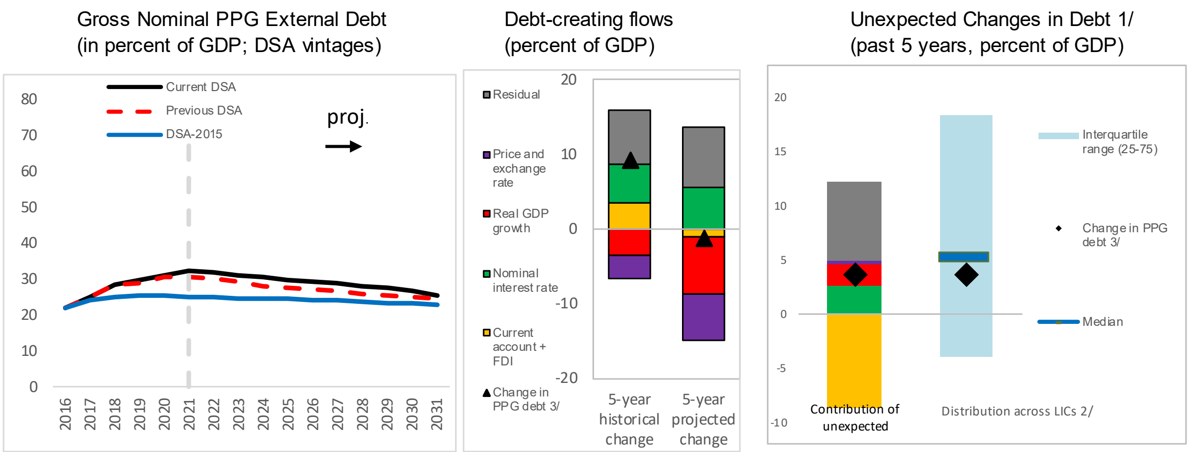
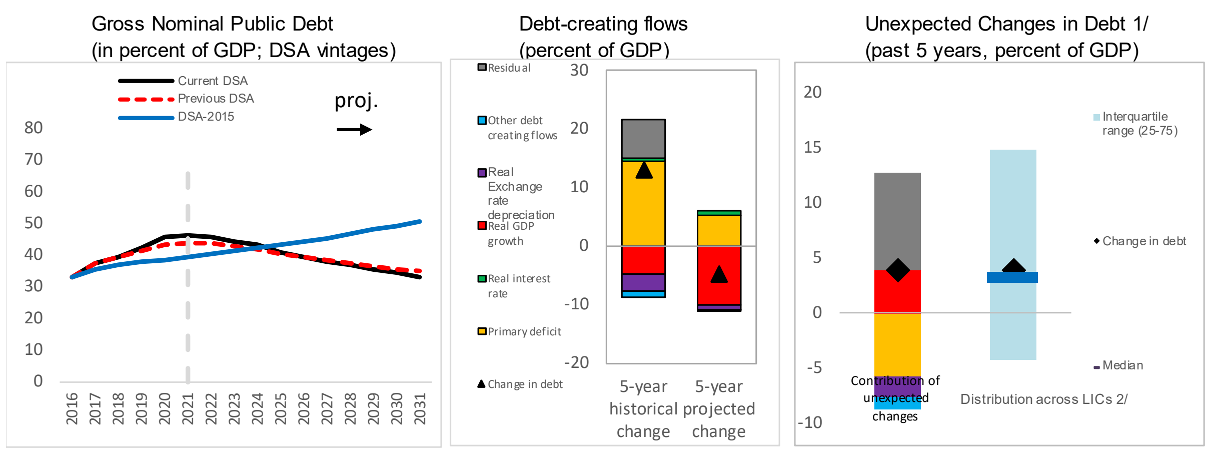


Figure 4. Cameroon: Drivers of Debt Dynamics- Baseline Scenario



Public debt



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

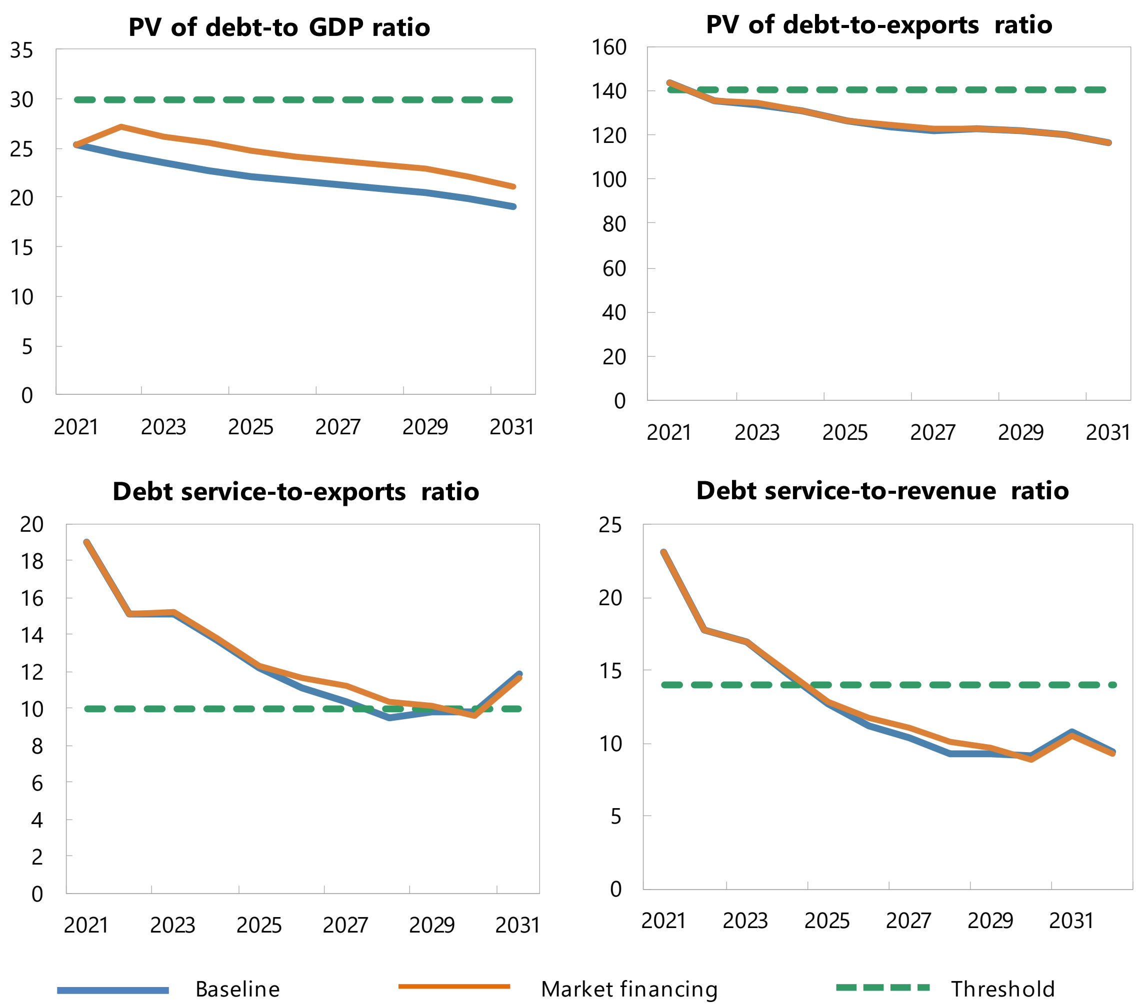
2/ Distribution across LICs for which LIC DSAs were produced.

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

Figure 5. Cameroon: Market- Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	9	355
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.



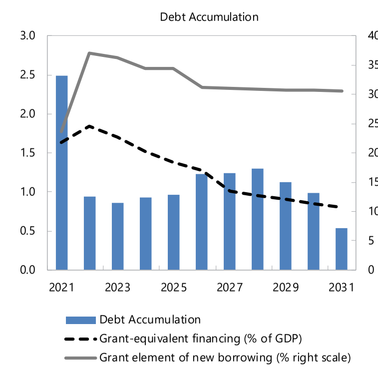
Sources: Country authorities; and staff estimates and projections.

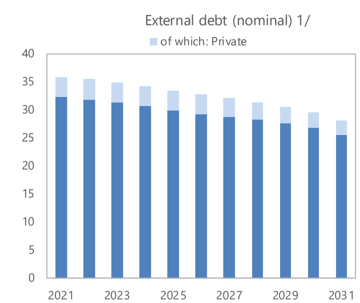
Table 1. Cameroon: External Debt Sustainability Framework, Baseline Scenario, 2018–2041

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
External debt (nominal) 1/	30.4	33.5	35.0	35.9	35.5	34.9	34.2	33.5	32.7	28.2	18.7	22.8	32.6
of which: public and publicly guaranteed (PPG)	28.6	29.9	31.1	32.3	31.8	31.3	30.6	29.9	29.3	25.5	17.1	20.5	29.3
Change in external debt	2.7	3.0	1.5	0.9	-0.4	-0.6	-0.6	-0.8	-0.7	-1.4	-0.8		
Identified net debt-creating flows	-0.7	1.8	1.5	0.9	-0.4	-0.8	-1.2	-1.6	-2.0	-2.0	-1.0	0.7	-1.4
Non-interest current account deficit	2.5	3.3	2.5	2.8	2.3	2.3	2.1	1.8	1.5	1.2	1.4	2.8	1.7
Deficit in balance of goods and services	2.9	3.5	2.5	3.3	3.5	3.4	3.3	3.0	2.6	2.3	2.5	2.8	2.8
Exports	18.9	19.8	15.7	17.6	18.0	17.5	17.5	17.5	17.5	16.3	14.3		
Imports	21.8	23.3	18.2	20.9	21.5	20.9	20.7	20.5	20.1	18.7	16.8		
Net current transfers (negative = inflow)	-1.2	-1.3	-1.1	-1.2	-1.3	-1.2	-1.2	-1.2	-1.2	-1.2	-1.4	-1.1	-1.2
of which: official	-0.2	-0.3	-0.2	-0.3	-0.4	-0.3	-0.3	-0.3	-0.2	-0.2	-0.3		
Other current account flows (negative = net inflow)	0.8	1.1	1.0	0.8	0.2	0.1	0.0	0.0	0.0	0.1	0.3	1.1	0.1
Net FDI (negative = inflow)	-1.7	-2.3	-1.4	-1.9	-2.4	-2.5	-2.7	-2.7	-2.7	-2.5	-1.9	-2.0	-2.5
Endogenous debt dynamics 2/	-1.5	0.8	0.4	0.1	-0.3	-0.5	-0.6	-0.7	-0.7	-0.7	-0.5		
Contribution from nominal interest rate	1.1	1.1	1.2	1.2	1.2	1.1	1.1	1.1	1.0	0.9	0.6		
Contribution from real GDP growth	-1.0	-1.1	0.5	-1.1	-1.5	-1.6	-1.7	-1.7	-1.7	-1.6	-1.0		
Contribution from price and exchange rate changes	-1.6	0.9	-1.3	...	...	...	...	...	...	...	...		
Residual 3/	3.5	1.2	0.0	0.0	0.0	0.2	0.6	0.8	1.2	0.6	0.2	1.7	0.8
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	26.1	25.4	24.4	23.5	22.8	22.1	21.6	19.0	13.1		
PV of PPG external debt-to-exports ratio	...	...	166.3	143.9	135.2	133.9	130.4	126.0	123.7	116.5	92.0		
PPG debt service-to-exports ratio	17.3	19.3	10.0	19.0	15.1	15.1	13.7	12.1	11.2	11.8	8.5		
PPG debt service-to-revenue ratio	20.8	25.2	11.5	23.1	17.8	16.9	14.7	12.6	11.2	10.7	6.6		
Gross external financing need (Billion of U.S. dollars)	2.6	3.0	1.6	2.4	1.8	1.7	1.5	1.3	1.0	1.3	2.2		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.1	3.7	-1.5	3.6	4.6	4.9	5.3	5.4	5.6	5.8	5.8	4.0	5.3
GDP deflator in US dollar terms (change in percent)	6.3	-2.8	4.0	8.9	3.3	2.3	1.9	2.1	1.9	1.9	1.9	0.6	2.7
Effective interest rate (percent) 4/	4.5	3.5	3.7	3.8	3.6	3.4	3.4	3.3	3.3	3.2	3.1	3.5	3.4
Growth of exports of G&S (US dollar terms, in percent)	12.3	5.5	-18.8	26.6	10.4	4.5	6.8	7.9	7.5	6.1	6.6	1.9	8.6
Growth of imports of G&S (US dollar terms, in percent)	16.9	7.6	-19.9	29.3	11.0	4.7	6.3	6.1	5.8	6.7	6.7	2.2	8.5
Grant element of new public sector borrowing (in percent)	...	...	...	23.6	37.0	36.2	34.5	34.4	31.2	30.6	27.7	...	31.9
Government revenues (excluding grants, in percent of GDP)	15.7	15.2	13.6	14.5	15.3	15.7	16.3	16.8	17.4	18.0	18.3	15.5	16.8
Aid flows (in Billion of US dollars) 5/	4.2	4.6	0.1	1.0	1.4	1.4	1.3	1.3	1.1	1.0	1.2		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.6	1.8	1.7	1.5	1.4	1.3	0.8	0.5	...	1.3
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	26.9	42.9	42.1	40.8	41.0	37.9	34.4	33.4	...	36.6
Nominal GDP (Billion of US dollars)	39	39	40	45	49	52	56	60	65	94	200		
Nominal dollar GDP growth	10.6	0.8	2.4	12.9	8.0	7.3	7.3	7.6	7.6	7.8	7.8	4.5	8.1
Memorandum items:													
PV of external debt 7/	...	...	30.0	29.0	28.0	27.1	26.4	25.7	25.1	21.7	14.7		
In percent of exports	...	...	190.8	164.6	155.3	154.6	151.2	146.7	143.4	132.8	103.2		
Total external debt service-to-exports ratio	23.0	25.0	19.3	25.4	20.9	20.3	18.9	17.3	16.3	16.1	11.4		
PV of PPG external debt (in Billion of US dollars)			10.4	11.4	11.9	12.3	12.8	13.3	14.0	17.9	26.2		
(PVt-PVt-1)/GDPt-1 (in percent)				2.5	0.9	0.9	0.9	1.0	1.2	0.5	0.5		
Non-interest current account deficit that stabilizes debt ratio	-0.3	0.2	1.0	1.9	2.8	2.9	2.7	2.5	2.2	2.6	2.2		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

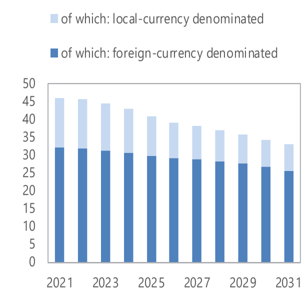
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

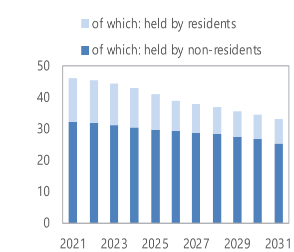
Table 2. Cameroon: Public Sector Debt Sustainability Framework, Baseline Scenario, 2018–2041
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
Public sector debt 1/	39.6	42.3	45.8	46.2	45.6	44.4	43.1	41.0	39.2	33.2	26.8	**30.2**	**39.8**
of which: external debt	28.6	29.9	31.1	32.3	31.8	31.3	30.6	29.9	29.3	25.5	17.1	**20.5**	**29.3**
Change in public sector debt	1.9	2.7	3.5	0.4	-0.6	-1.1	-1.3	-2.1	-1.9	-1.2	-0.3		
Identified debt-creating flows	-0.4	1.3	0.1	0.7	-0.3	-1.0	-1.3	-2.1	-1.8	-1.2	-0.3	**1.9**	**-1.1**
Primary deficit	1.3	2.0	2.1	2.1	1.5	0.9	0.7	0.0	0.2	0.6	0.9	**2.9**	**0.8**
Revenue and grants	16.2	15.8	13.8	14.7	15.7	16.1	16.6	17.2	17.8	18.1	18.5	**15.8**	**17.1**
of which: grants	0.4	0.6	0.2	0.3	0.4	0.4	0.4	0.3	0.3	0.1	0.1		
Primary (noninterest) expenditure	17.5	17.7	15.9	16.9	17.2	17.0	17.3	17.2	17.9	18.7	19.4	**18.6**	**17.9**
Automatic debt dynamics	-0.4	-0.9	-2.0	-1.4	-1.8	-1.9	-2.0	-2.0	-2.0	-1.7	-1.2		
Contribution from interest rate/growth differential	-1.5	-1.4	0.9	-1.4	-1.8	-1.9	-2.0	-2.0	-2.0	-1.7	-1.2		
of which: contribution from average real interest rate	-0.1	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.3		
of which: contribution from real GDP growth	-1.5	-1.4	0.7	-1.6	-2.0	-2.1	-2.2	-2.2	-2.2	-1.9	-1.5		
Contribution from real exchange rate depreciation	1.2	0.5	-2.9	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	-1.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**-0.1**	**0.0**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	-1.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	2.4	1.4	3.4	-0.3	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	**1.2**	**-0.1**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	39.2	39.1	38.1	36.7	35.3	33.2	31.5	26.7	22.9		
PV of public debt-to-revenue and grants ratio	...	...	284.2	265.1	242.1	227.8	212.4	193.3	177.4	147.6	124.0		
Debt service-to-revenue and grants ratio 3/	20.3	24.3	49.4	44.6	40.9	40.6	37.7	34.3	31.8	24.3	21.9		
Gross financing need 4/	4.8	7.8	8.9	8.7	7.9	7.4	7.0	5.9	5.8	4.9	5.0		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.1	3.7	-1.5	3.6	4.6	4.9	5.3	5.4	5.6	5.8	5.8	**4.0**	**5.3**
Average nominal interest rate on external debt (in percent)	3.0	2.8	2.1	2.1	2.1	1.8	1.8	1.7	1.7	1.8	1.9	**2.8**	**1.8**
Average real interest rate on domestic debt (in percent)	-1.6	-2.5	-0.5	0.6	1.0	1.5	2.0	1.8	2.1	2.5	3.3	**-1.7**	**1.9**
Real exchange rate depreciation (in percent, + indicates depreciation)	4.8	1.7	-9.4	...	...	...	...	...	...	...	...	**1.0**	**...**
Inflation rate (GDP deflator, in percent)	1.6	2.5	2.0	2.0	1.9	2.0	1.8	2.1	2.0	1.9	1.9	**1.8**	**1.9**
Growth of real primary spending (deflated by GDP deflator, in percent)	-4.0	5.2	-11.7	9.8	6.6	3.8	7.2	4.3	10.4	6.1	5.9	**4.6**	**6.8**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-0.6	-0.7	-1.4	1.8	2.1	2.1	2.0	2.1	2.0	1.8	1.2	**-0.9**	**1.9**

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

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

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

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

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

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

Table 3. Cameroon: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2021–2031 (In percent)

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of debt-to GDP ratio											
Baseline	25	24	24	23	22	22	21	21	21	20	19
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	25	26	26	27	28	29	**31**	**33**	**34**	**36**	**36**
B. Bound Tests											
B1. Real GDP growth	25	25	26	25	24	24	23	23	22	22	21
B2. Primary balance	25	25	27	26	26	26	25	25	24	24	23
B3. Exports	25	28	**31**	**30**	29	29	28	28	27	25	24
B4. Other flows 3/	25	25	25	25	24	23	23	23	22	21	20
B5. Depreciation	25	**31**	27	26	25	25	24	24	24	23	22
B6. Combination of B1-B5	25	29	28	28	27	26	26	25	25	24	23
C. Tailored Tests											
C1. Combined contingent liabilities	25	30	30	29	30	29	29	29	28	28	27
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	25	26	26	25	25	24	24	23	23	22	21
C4. Market Financing	25	27	26	26	25	24	24	23	23	22	21
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	**144**	135	134	130	126	124	122	122	122	120	116
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**144**	**143**	**149**	**154**	**159**	**168**	**178**	**191**	**204**	**215**	**223**
B. Bound Tests											
B1. Real GDP growth	**144**	135	134	130	126	124	122	122	122	120	116
B2. Primary balance	**144**	**140**	**154**	**151**	**147**	**146**	**145**	**145**	**144**	**142**	138
B3. Exports	**144**	**191**	**264**	**257**	**249**	**243**	**240**	**238**	**233**	**227**	**217**
B4. Other flows 3/	**144**	**140**	**144**	**141**	136	133	131	131	130	128	123
B5. Depreciation	**144**	135	122	119	115	113	112	112	112	112	108
B6. Combination of B1-B5	**144**	**175**	**146**	**185**	**178**	**175**	**173**	**172**	**170**	**167**	**161**
C. Tailored Tests											
C1. Combined contingent liabilities	**144**	**165**	**169**	**166**	**169**	**168**	**167**	**169**	**169**	**167**	**163**
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	**144**	**149**	**153**	**150**	**144**	**141**	138	137	135	132	127
C4. Market Financing	**144**	135	134	131	127	124	123	122	122	120	116
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	**19**	**15**	**15**	**14**	**12**	**11**	**10**	9	10	10	**12**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**19**	**16**	**16**	**15**	**14**	**13**	**13**	**13**	**14**	**15**	**18**
B. Bound Tests											
B1. Real GDP growth	**19**	**15**	**15**	**14**	**12**	**11**	**10**	9	10	10	**12**
B2. Primary balance	**19**	**15**	**16**	**15**	**13**	**12**	**11**	**11**	**11**	**11**	**13**
B3. Exports	**19**	**19**	**24**	**22**	**20**	**18**	**17**	**17**	**19**	**19**	**22**
B4. Other flows 3/	**19**	**15**	**15**	**14**	**12**	**11**	**11**	10	**11**	**11**	**13**
B5. Depreciation	**19**	**15**	**15**	**13**	**12**	**11**	**10**	9	9	9	**11**
B6. Combination of B1-B5	**19**	**18**	**20**	**18**	**16**	**15**	**14**	**14**	**14**	**14**	**16**
C. Tailored Tests											
C1. Combined contingent liabilities	**19**	**15**	**16**	**15**	**13**	**12**	**11**	**11**	**11**	**11**	**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	**19**	**16**	**16**	**15**	**13**	**12**	**11**	**11**	**11**	**11**	**13**
C4. Market Financing	**19**	**15**	**15**	**14**	**12**	**12**	**11**	**10**	**10**	10	**12**
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	**23**	**18**	**17**	**15**	13	11	10	9	9	9	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**23**	**18**	**18**	**16**	**14**	13	13	12	13	14	**17**
B. Bound Tests											
B1. Real GDP growth	**23**	**19**	**18**	**16**	14	12	11	10	10	10	12
B2. Primary balance	**23**	**18**	**17**	**16**	14	12	11	10	11	11	12
B3. Exports	**23**	**18**	**18**	**16**	**14**	12	11	11	12	12	13
B4. Other flows 3/	**23**	**18**	**17**	**15**	13	11	11	10	10	10	11
B5. Depreciation	**23**	**22**	**21**	**18**	**15**	14	13	11	11	10	13
B6. Combination of B1-B5	**23**	**19**	**19**	**17**	**14**	13	12	11	11	11	13
C. Tailored Tests											
C1. Combined contingent liabilities	**23**	**18**	**18**	**16**	14	12	11	10	10	10	12
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**23**	**21**	**20**	**18**	**15**	13	11	10	11	10	12
C4. Market Financing	**23**	**18**	**17**	**15**	13	12	11	10	10	9	11
Threshold	14	14	14	14	14	14	14	14	14	14	14
Memorandum item:											
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	30.7	30.7	30.7	30.7	30.7	30.7	30.7	30.7	30.7	30.7	**30.7**

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, 2021–2031

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	PV of Debt-to-GDP Ratio										
Baseline	**39**	**38**	**37**	**35**	33	32	31	30	29	28	27
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**39**	**39**	**40**	**41**	**41**	**42**	**43**	**44**	**45**	**45**	**46**
B. Bound Tests											
B1. Real GDP growth	**39**	**40**	**42**	**42**	**40**	**40**	**40**	**40**	**40**	**39**	**39**
B2. Primary balance	**39**	**40**	**43**	**41**	**39**	**37**	**36**	35	33	32	31
B3. Exports	**39**	**41**	**43**	**42**	**40**	**38**	**37**	**35**	34	32	31
B4. Other flows 3/	**39**	**39**	**38**	**37**	35	33	32	31	30	29	28
B5. Depreciation	**39**	**44**	**40**	**37**	34	31	29	27	25	23	21
B6. Combination of B1-B5	**39**	**38**	**40**	**39**	**36**	34	33	32	31	30	29
C. Tailored Tests											
C1. Combined contingent liabilities	**39**	**51**	**49**	**47**	**44**	**42**	**41**	**39**	**38**	**36**	**35**
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	**39**	**41**	**43**	**45**	**46**	**46**	**46**	**46**	**46**	**45**	**45**
C4. Market Financing	**39**	**38**	**37**	**35**	33	32	31	30	29	28	27
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
	PV of Debt-to-Revenue Ratio										
Baseline	265	242	228	212	193	177	172	167	160	153	148
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	265	251	248	245	241	237	242	246	248	251	256
B. Bound Tests											
B1. Real GDP growth	265	256	259	249	235	223	223	224	221	218	217
B2. Primary balance	265	257	266	248	226	207	200	194	185	177	170
B3. Exports	265	259	270	252	230	212	206	199	188	179	171
B4. Other flows 3/	265	248	239	223	203	187	181	176	167	160	154
B5. Depreciation	265	278	251	226	198	175	162	151	138	126	116
B6. Combination of B1-B5	265	245	249	232	211	194	187	181	173	165	159
C. Tailored Tests											
C1. Combined contingent liabilities	265	325	304	284	257	236	228	221	211	201	194
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	265	303	311	314	295	276	270	260	255	250	248
C4. Market Financing	265	242	228	213	194	178	172	167	160	153	148
	Debt Service-to-Revenue Ratio										
Baseline	45	41	41	38	34	32	29	26	25	24	24
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	45	41	43	41	41	42	40	39	39	39	41
B. Bound Tests											
B1. Real GDP growth	45	43	45	43	41	40	37	35	35	34	35
B2. Primary balance	45	41	44	43	41	40	33	30	29	27	27
B3. Exports	45	41	41	39	35	33	29	27	27	26	27
B4. Other flows 3/	45	41	41	38	35	32	29	26	26	24	25
B5. Depreciation	45	41	44	40	36	33	30	27	26	24	26
B6. Combination of B1-B5	45	40	41	41	36	37	31	27	27	25	25
C. Tailored Tests											
C1. Combined contingent liabilities	45	41	58	43	62	42	33	35	30	27	28
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	45	48	52	51	52	50	46	42	41	39	40
C4. Market Financing	45	41	41	38	34	32	29	27	25	23	24

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Includes official and private transfers and FDI.

Statement by the Staff Representative on Cameroon
July 29, 2021

This staff statement does not alter the thrust of the staff appraisal in the staff report but is intended to provide clarification and confirmation on the status of prior actions.

Prior actions have been met. Prior actions on i) submitting to the National Assembly a revised budget bill for 2021 in line with the objectives of the program; ii) publishing a report on the execution of COVID-19-related expenditures during the 2020 budget year; iii) publishing on the ARMP website an overall table of the results of contracts related to COVID-19 and awarded from October 20, 2020 to the end of June 2021, including beneficial ownership of successful bidders; and iv) submitting to the IMF, the Prime Minister, Senate, and National Assembly the audit prepared by the audit bench of the Supreme Court (Chambre des Comptes) of fiscal year 2020 expenses related to COVID-19 were completed.

- A revised budget law for 2021 in line with the objectives of the program has been adopted.
- A report on the execution of COVID-19-related expenditures during the 2020 budget year has been published on the Directorate General of Budget website. [1]
- As of July 23, 2021, the authorities have published on the website of the Public Procurement Regulatory Agency (ARMP), lists[2] of a total of 383 Covid-19 related contracts awarded from October 20, 2020 to end-June 2021, including beneficial ownership of successful bidders. The contracts were awarded by the Ministries of Health, Education, Social Affairs, Agriculture and Rural Development. These lists include the procurements' objects, amounts, beneficiaries and beneficial owners, and status, amounting in total to CFAF 54.1 billion. Based on the authorities' commitment to publish all the procurements' results, including their beneficial owners, ongoing tenders will be published once awarded.
- The audit prepared by the audit bench of the Supreme Court (Chambre des Comptes) of fiscal year 2020 expenses related to COVID-19 has been submitted to the IMF, the Prime Minister, Senate, and National Assembly.

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[1] https://www.dgb.cm/news/consulter-le-rapport-dexecution-sur-le-fond-special-de-solidarite-nationale-pour-la-lutte-contre-le-coronavirus-et-ses-repercussions-economiques-et-sociales/

[2] https://armp.cm/Details_COM_DEC.php?P1=COMM&P2=15493#A6
https://armp.cm/Details_COM_DEC.php?P1=COMM&P2=14975#A6
https://www.armp.cm/Details_COM_DEC.php?P1=COMM&P2=15255#A6

Statement by Mr. Andrianarivelo, Mr. N'Sonde Alternate Executive Director for Cameroon, and Mrs. Raoilisoa Andrianometiana, Senior Advisor to the Executive Director on Cameroon
July 29, 2021

On behalf of our Cameroonian authorities, we would like to express our appreciation to the Executive Board and Management for their continued support to Cameroon. We also thank staff for the constructive engagement and their tireless efforts to assist the authorities under difficult circumstances.

Amid a very challenging security situation, Cameroon had successfully completed five reviews under the 2017-2020 ECF-supported program. This arrangement expired last year during the Covid-19 pandemic hit without the completion of the sixth and final review due the unprecedented shock. Rising infection cases have led the authorities to put in place strict containment measures, which, combined with a multi-faceted global slowdown in 2020, resulted in an economic fallout. The Fund responded swiftly to Cameroon's request for emergency financing under the Rapid Credit Facility (RCF) to mitigate the impact of the crisis and address the short-term financing gap. The authorities have undertaken the necessary steps to publish on the website of the Public Procurement Regulatory Agency (ARMP) the beneficial ownership of companies receiving Covid-related procurement contract, published an execution report of the Covid-related expenditures, and audited Covid-related spending for the FY 2020. They remain fully committed to fiscal transparency as agreed at the time of the RCF.

Despite the RCF disbursements, fiscal and external financial needs remain sizeable, threatening progress made in macroeconomic stability and social gains in recent years. Tostrengthen external viability and support the recovery, the Cameroonian authorities are requesting three-year arrangements under the Extended Credit facility (ECF) and the Extended Fund Facility (EFF), covering the period 2021-2024. The program will help address protracted balance of payments needs and support the authorities' reform agenda established under their National Development Strategy (*Stratégie Nationale de Développement*, SND30) for 2020-30 and consistent with the regional reform program, PREF-CEMAC. The authorities' medium-term program will also contribute to CEMAC regional efforts to boost BEAC's foreign exchange reserves. The frontloaded disbursementswill support the immediate financing needs facing the country.

Recent Developments and Outlook

The Covid crisis have impacted severely the Cameroonian economy, with possible setback indevelopment gains and other scarring. GDP growth turned negative in 2020, impacting most acutely non-oil sectors, including trade, transport, and tourism. Fiscal deficit has been contained to 3.6 percent of GDP, thanks to a relatively good performance on revenues, combined with the authorities' proactive approach on the expenditure front amid their response to the pandemic. Public debt has increased somewhat but remains under control. The current account deficit slightly decreased, reflecting stronger-than-expected non-oil exports. The increase in money supply remained strong, mainly driven by a sharp increase in credit to public sector.

Looking ahead, the average annual growth of the oil sector over the period 2022-26 is expected to be close to zero, whereas non-oil sector growth should begin to recover from 2021 and is projected to reach 5 percent in 2023. Growth will be supported by the implementation of SND30, large infrastructure projects notably in the energy sector, and a recovery in trading partner economies. The recovery will also depend on adequate access to, and distribution of, vaccines. In this respect, the authorities have adopted a national vaccine readiness and deployment plan and envision to strengthen communication towards community support for vaccination. Under the 2021 revised budget, in addition to other pandemic-related spending, an amount equivalent to 0.3 percent of GDP has been dedicated for vaccination costs.

Policies and Reforms for the Period Ahead

The Cameroonian authorities recognize the significant economic and development challenges facing the country amid uncertainty about the pandemic and the world economic prospects. They are fully committed to the program objectives. This entails building fiscal buffers, safeguarding debt sustainability, enhancing governance, and advancing structural reforms toachieve strong and sustainable growth, while protecting the most vulnerable. In implementing their policies and reforms, the authorities remain mindful of the elevated risksto the outlook stemming notably from the evolution of the pandemic, oil price developmentsand the level and volatility of other commodity prices. In this regard, they are ready to consider contingent measures, in consultation with Fund staff, as needed.

The authorities continue to count on Fund technical assistance to advance reforms, notably on revenue mobilization, public financial management, and debt management. The program also continues to be supported by the implementation of policies and reforms by CEMAC regional institutions.

Fiscal Policy and Reforms

Fiscal policy will continue to address the impact of the pandemic and support the economic recovery while preserving debt sustainability. Over the medium-term, they are committed to pursuing gradual fiscal consolidation while protecting priority social spending. Their goal is to achieve the regional convergence criterion by reaching an overall budget deficit of1.6 percent of GDP by 2024. In this regard, government' efforts will focus not only on steppingup non-oil revenue mobilization, but also rationalizing public expenditure and improving itsefficiency.

On revenue mobilization, the authorities will continue to strengthen revenue collection by combating tax fraud and evasion, enhancing tax and customs administrations and policies, as well as ensuring the integrity of taxpayer files and IT systems. The authorities intend to conduct a diagnostic study of the fiscal policy, which should inform on short to medium-term measures, with support from Fund technical assistance. Further actions include the intensification of the collection of tax and customs arrears from state-owned enterprises (SOEs) and enhanced control over companies presenting the risk of under-reporting their declarations. Moreover, the authorities will step up efforts to broaden the tax base, notably in the transport sector, despite the weight of the informal sector in the economy, and the low contribution of personal income tax. They will also take steps to streamline tax expenditure. Regarding non-tax revenues, the government will intensify the campaign on the enforcement of state revenue.

Consistent with the authorities' public finance reform program, the government intends to pursue actions aimed at improving the quality of public spending, enhancing cash management, and operationalizing the Treasury single account (TSA) in conjunction with theregional central bank (BEAC). To bolster spending efficiency, our authorities are firmly committed to the digitalization of budgetary procedures and will limit the use of exceptional procedures. In parallel, transfers and subsidies to SOEs will be firmly controlled and reform of the civil service payroll will be pursued. In addition to publishing a quarterly report on budget execution, the authorities will effectively implement the Code of Transparency and Good Governance as well as the financial regime of the state and other public entities, in accordance with CEMAC guidelines. Furthermore, they will redouble effort to reinforce the efficiency of public investment. In this respect, the government will continue to improve investment project selection, planning, and execution.

Debt Policy and Management of Contingent Liabilities

The authorities are determined to strengthen debt sustainability and agree on the need to prevent any further risk of debt distress. In this vein, they reiterate their commitment to a prudent borrowing strategy and will strictly limit the signing of non-concessional loans to priority projects for which concessional resources are unavailable, while adhering to the program debt limits. To this end, our authorities will strengthen the debt management framework and conduct an active debt management policy in order to bring the country backto a moderate risk classification of debt distress.

The medium-term debt strategy for 2021-23 will also be geared toward preserving debt sustainability. Besides proceeding with the disbursements for the stock of committed but undisbursed loans (SENDs), the government intends to strengthen the management and governance of SOEs to improve public service delivery and limit fiscal risks. In this regard,our authorities will redouble their efforts to strengthen and accelerate SONARA's debt restructuring. In addition, the government will carry out an audit of highly indebted

SOEs and assess their financial viability, based on diagnostic studies underway, notably for CAMTEL, CAMWATER, and the Douala Autonomous Port.

Regional Monetary Policy and Financial Sector Stability

In line with efforts made at the regional level, the authorities are committed to preserve the stability of the monetary arrangement which requires rebuilding BEAC reserves. To this end,the government will ensure that extractive industries comply with the provisions of foreign exchange regulations before signing new contracts. They will also take measures to ensure that the new petroleum code is fully compliant with CEMAC's foreign exchange regulations.Moreover, the authorities will pursue reforms aimed at strengthening the stability of the financial sector and will step up measures aiming at reducing the level of non-performing loans, in support to the mandate of the regional banking commission (COBAC).

Bolstering Structural Reforms

As part of SND30, the government is dedicated to stepping up structural reforms aimed at reducing poverty and inequalities, and laying the foundations for robust, sustained, and inclusive growth. In this vein, the authorities are strongly committed to promoting good governance, strengthening transparency, and tackling corruption. They intend to improve the anti-corruption legal and institutional frameworks as well as enhance their strategy for combating corruption through both preventive and repressive actions. Furthermore, the government will undertake measures to enforce asset declaration obligation for public officials and strengthen the autonomy of the specialized anti-corruption agency CONAC. In addition, the authorities will ameliorate the business climate by strengthening compliance with the EITI principles and AML/CFT standards and will accelerate the implementation of reforms to sustain private sector development and economic diversification.

Conclusion

Our Cameroonian authorities reiterate their commitment to the program objectives to strengthen macroeconomic stability, firm up inclusive growth and contribute to enhancing CEMAC's external stability and economic prospects. The authorities highly value the strongrelationship with the Fund and look forward to Executive Directors' support to their requestsfor ECF and EFF arrangements to support their efforts, cover part of their financing gap andcatalyze additional resources.