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CAMEROON

August 2022

SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY ARRANGEMENTS, AND REQUESTS FOR WAIVERS FOR PERFORMANCE CRITERIA APPLICABILITY AND MODIFICATION OF PERFORMANCE CRITERION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CAMEROON

In the context of the SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY ARRANGEMENTS, AND REQUESTS FOR WAIVERS FOR PERFORMANCE CRITERIA APPLICABILITY AND MODIFICATION OF PERFORMANCE CRITERION, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 25, 2022, following discussions that ended on June 17, 2022, 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 13, 2022.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for Cameroon.

Letter of Intent sent to the IMF by the authorities of Cameroon*
Memorandum of Economic and Financial Policies by the authorities of Cameroon*
Technical Memorandum of Understanding*
*Also included in Staff Report

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

PR22/270

IMF Executive Board Concludes the Second Reviews of the Extended Credit Facility and Extended Fund Facility Arrangements for Cameroon

FOR IMMEDIATE RELEASE

- Completion of the Second Reviews provides Cameroon with access to the equivalent of US$ 72.9 million from the IMF.
- The nascent economy recovery from mid-2021 is now subject to greater uncertainties because of the spillovers from the war in Ukraine, high inflationary pressures- especially food and fuel prices-, and a tightening of global financial conditions. Low vaccination rates also leave the country vulnerable to further COVID-19 waves. However, the medium-term economic prospects remain positive.
- The overall program performance is mixed, with delayed structural reforms in some key areas

Washington, DC – July 25, 2022: Today, the Executive Board of the International Monetary Fund (IMF) concluded the Second Reviews of the Extended Credit Facility (ECF) Arrangement and the Extended Arrangement under the Extended Fund Facility (EFF) for Cameroon. The completion of the second reviews enables the disbursement of SDR 18.4 million (about US$ 24.3 million) under the ECF Arrangement, and purchases of SDR 36.8 million (about US$ 48.6 million) under the EFF Arrangement, bringing total access under the arrangements to SDR 262.2 million (about US$ 346.1 million). The Executive Board also approved the authorities' request for a waiver of applicability for the end-June 2022 performance criteria.

Cameroon's three-year ECF-EFF arrangements were approved on July 29, 2021 and are built around five pillars: (i) mitigating the health, economic, and social consequences of the pandemic while ensuring fiscal and external sustainability; (ii) reinforcing good governance and strengthening the transparency and the anti-corruption framework; (iii) accelerating structural fiscal reforms to modernize the tax and customs administrations, mobilize revenue, improve public financial management, increase public investment efficiency, and reduce fiscal risks from state-owned enterprises; (iv) strengthening debt management and ensuring debt levels remain sustainable; and (v) implementing structural reforms to accelerate economic diversification, boost financial sector resilience and inclusion, and promote gender equality and a greener economy.

Cameroon had started to recover from the COVID-19 shock in 2021, prior to the war in Ukraine. After a record low of -2.2 percent year on year (yoy) in Q2-2020, real GDP growth rate gradually recovered to reach 3.6 percent in 2021, supported by a strong recovery in the primary and tertiary sectors. The nascent economic recovery in 2021 is now subject to greater uncertainties with spillovers from the war in Ukraine, high inflationary pressures, especially on food and fuel prices, and a tightening of global financial conditions.

The economic outlook for 2022 remains positive, but with great uncertainties. Real GDP growth is projected at 3.8 percent in 2022, down from 4.5 percent at the time of the program's

First Reviews. Inflation is projected to rise to 4.6 percent in 2022, but to remain below 3 percent in the medium term.

As a crude oil exporter, Cameroon has experienced some positive effects on its external and fiscal positions. However, intensified higher global prices and supply disruptions have significantly increased the cost of fuel subsidies and are placing additional pressure on Cameroon's domestic prices, especially for food and fertilizers.

Risks relating to the war in Ukraine have compounded pandemic risks. Downside risks include rising and volatile food, fertilizers, and energy prices, and supply disruptions; new outbreaks of lethal and highly contagious COVID-19 variants; a sharp increase in global risk premia following the ongoing monetary policy tightening in advanced economies; and inadequate progress on fuel price subsidies.

On the upside, Cameroon may benefit from new oil and gas opportunities and the completion of major hydroelectric plants. Risks are mitigated by the authorities' strong implementation record of macro-economic programs, close engagement with donors, a comprehensive capacity development program, and contingency planning, including its COVID-19 response plan.

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

"Cameroon's economy proved resilient to the COVID-19 shock, but the recovery is now subject to greater uncertainties, with increased inflationary pressures, low vaccination rates, and tightening global financial conditions. The ECF and EFF arrangements have supported 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.

"Cameroon's performance under the program remains on track and structural reforms are advancing, albeit with delays in some key areas. The authorities are committed to achieving the program's objectives and accelerating the pace of reform implementation to support private sector-led economic diversification.

"The authorities' strategy to maintain their fiscal consolidation path, and to reduce fuel subsidies gradually, starting in 2023, while protecting the vulnerable, will help mitigate the impact of recent shocks. Continued non-oil revenue mobilization and expenditure rationalization will help rebuild fiscal space for strengthening social safety nets, and boosting the recovery, while preserving debt sustainability. While debt sustainability indicators have improved, continued efforts are warranted to manage debt cautiously and limit reliance on non-concessional borrowing.

"Effective and resolute implementation of the authorities' structural reforms, particularly to further strengthen transparency, good governance, and the anti-corruption framework, are essential to promote growth and help catalyze additional donor financing. To help ensure financial sector resilience, the authorities should closely monitor the rising non-performing loans and proceed with bank restructuring within the timetable set by COBAC. Further efforts are also needed to tackle gender inequality and climate change related challenges."

Table 1. Cameroon: Selected Economic and Financial Indicators, 2021-27
(CFAF billion, unless otherwise indicated)

	2021	2021	2022	2022	2023	2024	2025	2026	2027
	1st Rev.	Est.	1st Rev.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
National account and prices									
GDP at constant prices	3.5	3.6	4.5	3.8	4.6	4.7	5.0	4.9	4.9
Oil GDP at constant prices	0.1	-3.2	0.1	4.2	-3.0	0.2	0.2	0.3	0.3
Non-Oil GDP at constant prices	3.6	3.8	4.6	3.8	4.8	4.8	5.1	5.0	5.0
GDP deflator	2.6	3.3	2.9	4.8	2.4	2.6	2.1	2.0	2.0
Nominal GDP (at market prices, CFAF billions)	24,951	25,158	26,828	27,389	29,325	31,506	33,766	36,152	38,682
Oil	929	801	1,009	1,187	1,090	992	927	883	859
Non-Oil	24,021	24,357	25,819	26,201	28,235	30,513	32,839	35,269	37,823
Consumer prices (average)	2.3	2.3	2.1	4.6	2.8	2.6	2.1	2.1	2.0
Consumer prices (eop)	2.1	3.5	2.0	4.1	2.9	2.1	2.1	2.1	2.0
			(Percent of GDP, unless otherwise Indicated)						
Money and credit									
Broad money (M2)	13.8	17.2	10.7	15.6	10.1	8.1	6.7	6.1	7.0
Net foreign assets 1/	1.9	4.3	6.5	5.1	4.0	1.7	1.5	2.0	3.6
Net domestic assets 1/	11.9	12.9	4.2	10.5	6.1	6.4	5.2	4.1	3.4
Domestic credit to the private sector	5.4	9.7	5.6	9.1	12.4	10.9	7.4	7.5	3.1
Savings and investments									
Gross national savings	26.9	14.0	29.8	16.3	17.3	18.8	20.4	21.8	23.2
Gross domestic investment	30.3	17.9	31.8	18.4	20.0	22.0	23.6	25.0	26.0
Public investment	5.4	4.6	5.5	5.2	5.4	5.8	6.0	6.7	6.8
Private investment	24.9	13.4	26.2	13.2	14.6	16.2	17.6	18.3	19.2
Central government operations									
Total revenue (including grants)	13.9	14.1	14.9	15.4	15.9	15.7	15.5	15.5	15.4
Oil revenue	1.9	1.9	2.4	2.9	2.7	2.3	2.0	1.7	1.6
Non-oil revenue	11.7	12.0	12.0	12.0	12.8	13.1	13.4	13.6	13.7
Non-oil revenue (percent of non-oil GDP)	12.1	12.4	12.5	12.5	13.3	13.6	13.8	13.9	14.0
Total expenditure	17.0	16.5	16.7	17.4	16.1	16.0	15.9	16.7	16.7
Overall fiscal balance (payment order basis)									
Excluding grants	-3.4	-2.6	-2.4	-2.5	-0.5	-0.6	-0.6	-1.4	-1.4
Including grants	-3.1	-2.4	-1.8	-1.9	-0.2	-0.3	-0.4	-1.3	-1.3
Overall fiscal balance (cash basis)									
Excluding grants	-3.8	-3.0	-2.7	-3.0	-1.0	-0.9	-0.8	-1.4	-1.4
Including grants	-3.5	-2.8	-2.2	-2.5	-0.7	-0.6	-0.6	-1.3	-1.3
Non-oil primary balance (payment basis, percent of non-oil GDP)	-4.0	-3.4	-3.4	-4.2	-2.3	-1.9	-1.7	-2.3	-2.2
External sector									
Trade balance	-1.1	-1.5	-0.8	-0.7	-1.3	-2.0	-2.1	-2.1	-1.9
Oil exports	4.7	4.9	5.2	7.5	6.0	4.8	4.1	3.6	3.3
Non-oil exports	8.0	8.0	8.6	9.4	8.7	8.1	7.9	7.7	7.7
Imports	13.8	14.5	14.6	17.6	16.0	14.9	14.1	13.5	12.9
Current account balance									
Excluding official grants	-3.7	-4.4	-2.4	-2.6	-3.0	-3.5	-3.6	-3.5	-3.1
Including official grants	-3.4	-4.0	-2.0	-2.1	-2.6	-3.2	-3.3	-3.2	-2.9
Terms of trade	5.2	7.0	3.4	7.1	-7.1	-6.9	-4.6	-3.2	-2.5
Public debt									
Stock of public debt	47.2	45.5	45.0	44.0	40.8	37.9	35.3	33.9	32.6
Of which: external debt	33.9	31.6	32.8	31.2	30.3	29.2	28.2	27.6	26.9

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

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

INTERNATIONAL MONETARY FUND

CAMEROON

SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY ARRANGEMENTS, AND REQUESTS FOR WAIVERS FOR PERFORMANCE CRITERIA APPLICABILITY AND MODIFICATION OF PERFORMANCE CRITERION

July 13, 2022

Context. Following two years of COVID-19 challenges, Cameroon, the largest economy in the Central African Economic and Monetary Union (CEMAC), is facing a new policy environment. The nascent economic recovery from mid-2021, supported by higher oil prices and non-oil production, is now subject to greater uncertainties with spillovers from the war in Ukraine, high inflationary pressures, especially on food and fuel prices, and a tightening of global financial conditions. Low vaccination rates also leave the country vulnerable to further COVID-19 waves. In July 2021, the IMF's Executive Board approved three-year arrangements under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) 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.

Policy discussions. The second ECF/EFF Review focused on policies to i) ensure judicious management of the recent shock and sustain the recovery, to maintain a fiscal consolidation path consistent with the program, while protecting the vulnerable, ii) reinforce good governance and strengthen transparency and anti-corruption efforts, iii) accelerate structural fiscal reforms, iv) strengthen debt management and reduce debt vulnerabilities, and v) promote private sector-led economic diversification and boost financial sector resilience. Cameroon continues to be supported by extensive IMF capacity development (CD).

Program performance. Program performance - is mixed with delayed structural reforms in some key areas. All QPCs for end-December 2021 were met but three indicative targets were missed, namely direct interventions by the National Hydrocarbons Corporation (SNH), exceptional spending procedures, and the accumulation of domestic arrears. Overruns are attributable, in part, to the need for rapid security spending. At end-March 2022, the indicative target on domestic arrears was met. Implementation of the structural benchmarks is moving ahead albeit with delays. Of the nine SBs due between end-December 2021 and end-June 2022, three have been met on time. One SB has been implemented with delay in July 2022 and five remain to be met based on new timelines. The authorities are committed to achieving the program's objectives and accelerating the pace of reform implementation. They request (i) modification of one end-December 2022 IT and one end-December 2022 QPC in line with program objectives; (ii) the adoption of new March 2023 ITs and end-June 2023 QPCs; (iii) a waiver of applicability for the end-June 2022 QPC targets, as data will not be available by the time of the Board meeting and there is no clear evidence that such QPCs will not be met.

Approved By
Vitaliy Kramarenko (AFR) and Geremia Palomba (SPR)

Prepared by the Cameroon staff team, comprising Amadou Sy (Head), Gillian Nkhata, Magdi Ahmed (All AFR), Roberto Piazza (FAD), Seunghwan Kim (SPR), Nicholas Staines (Resident Representative), Martin Ambassa, and Du Prince Tchakote (Local Economists). Ms. Andrianometiana (OEDAF) joined the team. Joanna Delcambre contributed to the preparation of this report. Discussions with the authorities took place during June 3-17, 2022, through video conferencing and in person in Yaoundé.

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ANNEXES

APPENDIX

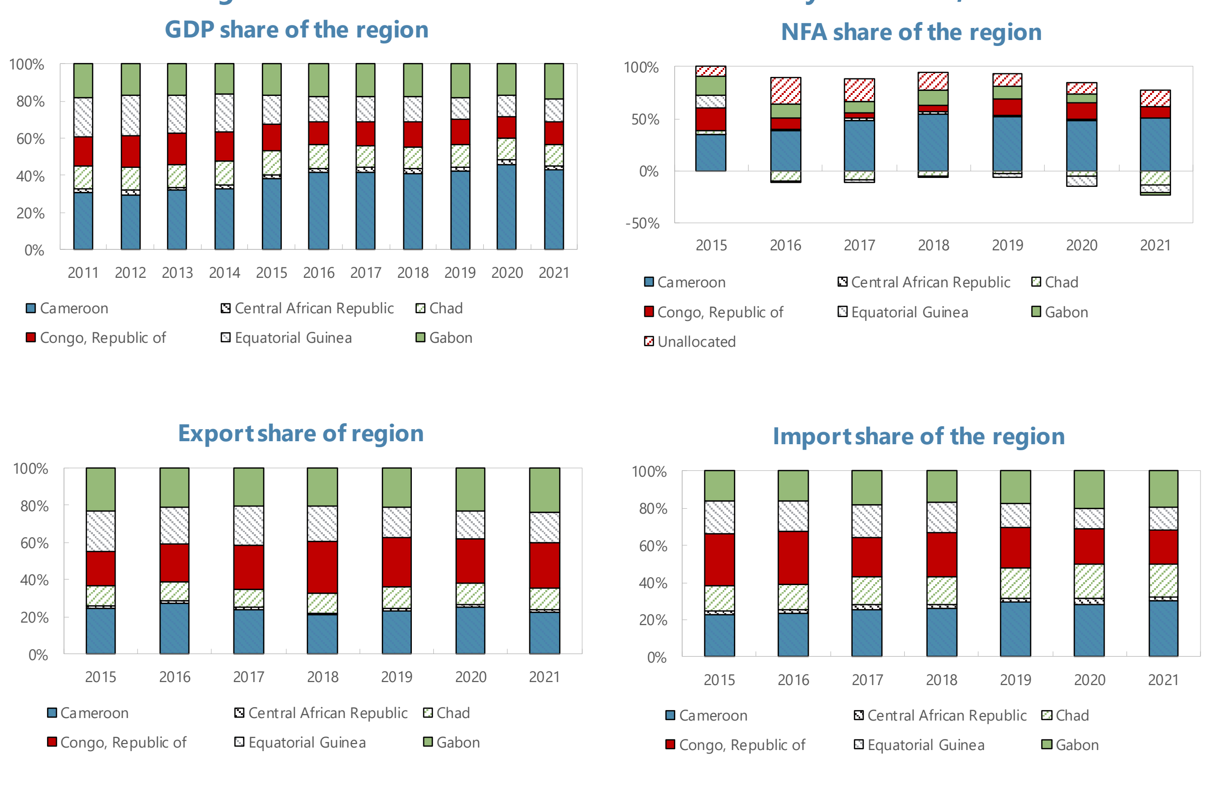
RECENT ECONOMIC DEVELOPMENTS, OUTLOOK, RISKS, AND PROGRAM PERFORMANCE

Following two years of COVID-19 challenges and lingering security tensions, Cameroon's nascent recovery is subject to greater uncertainties with increased food and fuel inflationary pressures from the Ukraine war.

A. Recent Economic Developments

1. **In 2021, prior to the war in Ukraine, Cameroon had started to recover from the COVID-19 shock.** After a record low of -2.2 percent year on year (yoy) in Q2-2020, real GDP growth rate in the CEMAC's largest economy (Text Figure 1) gradually recovered to reach 3.6 percent in 2021, supported by a strong recovery in the primary and tertiary sectors. The revival of demand among trading partners drove increased production in export-oriented industries, particularly agriculture and forestry. The gradual lifting of pandemic-related social distancing restrictions led to a revival in the services sector, including tourism, hospitality, and transport. Despite higher oil prices, Cameroon's external position deteriorated as larger goods imports offset exports gains while the service deficit worsened due to rising shipping costs. The current account deficit (including grants) is estimated to have widened from 3.7 percent of GDP in 2020 to 4.0 percent of GDP in 2021.

Text Figure 1. Cameroon: Share of Economic Activity in CEMAC, 2010-21



Sources: Country Authorities and IMF Staff estimates

2. The fiscal position benefited from the increase in oil prices in 2021. Fiscal balances improved by end-2021, with budget execution and non-oil revenue performance remaining broadly in line with the budget targets. Primary spending was under-executed (74 percent), in part reflecting vaccination delays. The better-than-expected 2021 overall balance was largely due to lower COVID spending, negative net lending, and lower externally financed investments, which more than offset a sharp one-off increase in goods and services (G&S) reflecting expenditures associated with hosting the 2021 Africa Cup of Nations.

3. Cameroon's SDR allocation in August 2021, equivalent to CFAF 209 billion, helped rebuild external buffers. The authorities plan to use 57 percent of this allocation by end-2022 (CFAF 50 billion in 2021 and CFAF 70 billion in 2022, equivalent to 0.5 percent of GDP) to reduce the use of expensive financing. They intend to use the allocation to mitigate the socioeconomic impact of recent shocks, while protecting the CEMAC foreign exchange reserve targets. The authorities are committed to transparency and accountability in the use of the SDR allocation and intend to avoid exceeding the share of allocation being spent to stay close to the recommendation to save about half the allocation.

4. The banking system remained fragile. Non-performing loans (NPLs) rose in the first half of 2021 despite regulatory forbearance by the BEAC, reaching almost 15 percent of gross loans, raising concerns of higher credit losses in the near term.[1] Bank profitability moderately declined in 2021 relative to 2020 and capital, liquidity, and fixed asset ratios are expected to worsen when forbearance measures expire. Concentration risks declined between June 2020 and June 2021 but remained high and sovereign-bank linkages remain significant.[2]

B. Outlook and Risks

5. Macroeconomic conditions are expected to continue improving gradually. Real GDP growth is projected at 3.8 percent in 2022, down from 4.5 percent at the time of the program's First Review. Downward revisions reflect a deterioration in the global economic outlook and the rapid increase in food and energy prices, which will have a negative impact on purchasing power and household consumption. Continued fiscal consolidation is expected to provide space for expanding social safety nets and to help maintain a gradual recovery. Inflation is projected to rise to 4.6 percent in 2022, but to remain below 3 percent in the medium term[3], assuming inflationary pressures are contained. In November 2021, the BEAC increased the policy rate by 25 basis points to stem the decline in reserves, and by 50 basis points (to 4 percent) in March 2022, to anchor inflation expectations. The external balance is expected to strengthen, building on stronger hydrocarbon exports, including a large natural gas delivery this year, and non-oil exports, driven by high commodity prices.

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[1] NPLs rose strongly in the Hotels and Commerce and Transportation and Telecom sectors, where NPLs were already high at the start of the pandemic.

[2] Cameroon is the reference debt issuer for the CEMAC regional market. The country uses a sinking fund at the BEAC for the repayment of its MT-LT debt and banks apply a zero regulatory risk weight to its securities.

[3] The CEMAC convergence criterion for inflation is 3 percent.

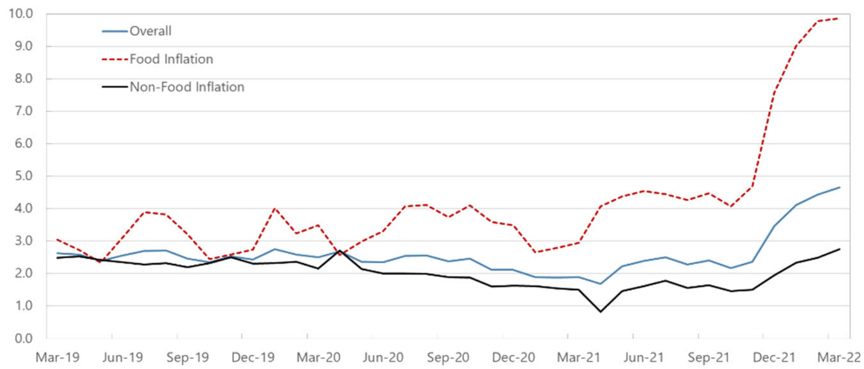
Box 1. Implications of the War in Ukraine for Cameroon

Cameroon has important links to the Russian and Ukrainian economies. Russia ranked 14th among Cameroon's trading partners in 2020. Wheat and fertilizers were the two main goods imported from Russia in 2018-20. Ukraine ranked 19th and is Cameroon's main supplier of iron, cast iron, and steel products. Consequently, the war in Ukraine has several implications for Cameroon's macroeconomic outlook.

- **Higher prices for oil and Cameroon's other export commodities should improve the external position**. Specifically, the expected significant rise in the prices of these key commodities is expected to increase export receipts and the current account balance and hence the overall external position.

Text Figure 2. Cameroon: Inflation, 2019M3-22M3

(Percentage change, year/year)



- **Higher oil prices will also boost fiscal revenues in 2022.** Higher oil prices are however expected to have a limited and lagged effect on increasing oil production volumes over time. The positive impact will also be muted by the adverse impact of high imported refined oil and food prices on fiscal expenditure (including subsidies).

- **Inflation.** Inflationary pressures have intensified with upward trends in global prices of food, energy, fertilizer, and intermediate goods such as clinker and iron (used in the construction sector). Amid elevated commodity prices, and persistent supply shocks, consumer prices in the year to March rose 3.7 percent and 3.9 percent in the port, Douala, and in the capital, Yaoundé, respectively, with price increases tilted towards imported and food items. Food prices rose 8.2 percent and 9.3 percent in the two cities, respectively. Bread and cereal prices rose 17.4 percent and 14.1 percent, with half the increase in February and March. This reflected the government's authorization of a 20 percent increase in the controlled price of basic bread). Soaring prices of fertilizers, of which over 30 percent originated in Russia in 2020, raise concerns about food security, particularly in rural areas.

- **Supply shortages.** Prolonged shortages (owing to global supply disruptions and sanctions) negatively affect growth. Goods affected include fertilizers, cement, rice, refined oil, and wheat flour (some of which predate the war in Ukraine). The government announced a temporary ban on exports of some items, but the ban is not expected to have much impact as most of the trade is informal. There has been a shortage of diesel as the trader who won the bid to supply diesel in March–June failed to raise the trade financing to import from Russia following sanctions.

6. Cameroon has significant growth potential over the medium-term. Cameroon's National Development Strategy (SND30) lays out plans to address the country's medium and long-term economic challenges (Annex VIII). Growth should average 4.8 percent in 2023-2027 as LNG production increases and large infrastructure projects are completed. Policy levers to raise potential growth include economic diversification, financial deepening, investment efficiency improvement, a gradual elimination of subsidies to SOEs, and the removal of cross-sectoral distortions.[4] Leveraging the country's hydroelectric potential would significantly reduce the cost of energy and help reduce medium-term inflation.

7. But risks in the near term remain elevated and tilted to the downside (Risk Assessment Matrix, Annex I). Uncertainties about the trajectory of the pandemic have been compounded by the war in Ukraine. Elevated international oil prices have created large fiscal pressures via fuel subsidies which are already beginning to crowd out domestic investment. Higher food, freight, and fertilizer prices have increased pressures for continuation of tax relief[5] and higher wages as domestic food prices are set administratively, and the pricing mechanism is not supported by an explicit subsidization system. The medium-term outlook may be hampered by delayed delivery on critical infrastructure, including roads and energy projects needed to catalyze broad inclusive growth. Growth of non-oil revenue will be constrained by slowing activity in the secondary sector and temporary tax (transport, flour and sugar manufacturing, and breweries) and customs (freight, rice, and palm oil imports) relief measures aiming to limit the rise in the cost of living, and the public debt-to-GDP ratio should remain below 45 percent.

8. The current account deficit is projected to narrow to 2.1 percent of GDP in 2022, before returning to around 3.0 percent in the medium term. Going forward, judicious management of recent external shocks will help support vulnerable groups, provide more space for vaccine deployment, and help restart a gradual recovery.

Downside risks:

- *Rising and volatile food, fertilizers, and energy prices and supply disruptions*: Further intensification of inflationary pressures will increase the risk of fiscal slippages from the cost of subsidies and a reduced tax base, especially in a context of rising socio-political tensions and protracted food insecurity.

- *New outbreaks of lethal and highly contagious COVID-19 variants*. Low vaccination rates exacerbate this risk.

- *Sharp increase in global risk premia* following the ongoing monetary policy tightening in advanced economies.

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[4] See IMF Country Report No. 22/75

[5] Measures include an 80 percent reduction on the taxable value of freight at end-November 2021 (CFAF 8.4 billion and FCFA67.8 billion estimated cost in cost in 2021 and 2022, respectively) and tax relief to the milling industry (CFAF 6 billion in 2022).

***Upside risks*:**

- *New oil and gas sector opportunities*. Global efforts to seek alternatives to Russian energy imports could boost incoming FDI in Cameroon related to oil and gas production.

- *Completion of major hydroelectric plants*. Several hydroelectric energy projects are currently underway that are expected to decrease electricity costs, expand energy grid access, and reduce heavy fuel consumption. Expanded access to energy is expected to boost growth in the agricultural sector as well as in manufacturing and tertiary activities.

C. Program Performance

9. Program performance is mixed with missed IT targets and delayed structural reforms in some key areas. (Tables 9 and 10).

- **Periodic Quantitative Performance Criteria (QPC):** All periodic QPCs at end-December 2021 and related ITs at end-March 2022 were met.

- **Indicative Targets (ITs):** Three ITs out of five were not met in December 2021, namely the ITs on the share of spending executed through exceptional procedures, the ceiling on direct interventions of SNH, and the ceiling on the net accumulation of domestic payment arrears. Two were met, namely the floors on non-oil revenues and on social spending. Direct interventions were affected by higher one-off security spending during the recent hosting of the Africa Cup of Nations. The higher than targeted share of spending through exceptional procedures is temporary and reflects delays from the adoption of a new budget nomenclature. Direct interventions have been on a downward trend and performance on the IT on domestic payment arrears improved by end-March 2022 when this IT on domestic payment arrears was met.

- **Continuous Quantitative Performance Criteria:** All continuous QPCs were met (Table 9). No new external payment arrears were accumulated. The ceiling on new non-concessional external debt (NCED) was met until the first review and the PV of new external debt was subsequently kept below the ceiling as recommended.

- **Structural Benchmarks (SBs):** Progress is underway, but slow on structural benchmarks (Table 10). Of the nine SBs due between January and June 2022, three were met on time (the diagnostic of the public administration pension system (SB4), the introduction of a new consultation format between the public and private sectors (SB11) and the publication of the report of the 2021 COVID-19-related expenses). One was implemented with delay in July 2022 (governance by program contracts, SB8). Five SBs due at end-June 2022 remain to be met. Staff stressed the need to bring the structural agenda back on track, to avoid undermining the credibility and the signaling and catalytic effects of the program. The authorities reiterated their commitment to accelerating reforms and noted that for the five SBs, progress is ongoing:

    - Treasury Single Account-TSA (SB3): The establishment of an IT platform to facilitate management of TSA accounts at the BEAC, which was expected in December 2021 was delayed. This reflects delays in establishing the regional platform, which are beyond the control of the Cameroon authorities. The authorities have identified all the accounts to be transferred to the STA and the regional platform is expected in August 2022, after which the transfers may begin.

- Diagnostic studies of a few large public companies (SB5): The Port Autonome de Douala (PAD) diagnostic has been ready since end-May, restructuring measures are being formulated and the final report should be available at end-July 2022. The draft Cameroon Telecommunications (CAMTEL) diagnostic report will be available in June and the final report at the end of August 2022. An International Call for Tenders for the Cameroon Water Utilities Corporation (CAMWATER) study was published on May 4, 2022, with a submission deadline of June 23. Contracting is expected to take place in August 2022, with completion of the study at end-November 2022, before the revised deadline, but some delays may still occur in contracting.

- Cross-debt inventory and clearance plan (SB7): The inventory of debts between the public enterprises and the State has been completed, but that of debts between public enterprises themselves is more complex than expected because of data availability issues from the enterprises, including late or non-transmission of information and supporting documents requested, missing debt reconciliation reports, debt agreements and other relevant documents. Despite capacity constraints, the authorities devote time to data reconciliation, identifying gaps and duplication. They expect to complete the second part by end-2022, and only then can they begin to define a clearance plan based on realistic scenarios.

- The mining code's implementation texts had been finalized, but the law needs to be revised to reflect the creation in December 2020 of a state enterprise, SONAMINE, responsible for the state's interests in the mining sector (SB9).

- Operationalization of the deposit and consignment fund (SB10): The publication of the decree designating the officers of the deposit and consignment fund has been delayed.

10. Staff assessed program performance against end-March and end-June 2022 PCs (for the EFF), and against end-December 2021 PCs (for the ECF). Staff and the authorities discussed end-December 2022 QPCs and ITs and set 2023 QPCs and ITs (Table 9). As the data on the end-June 2022 PCs are not available, the authorities request waivers of applicability for relevant criteria. Staff assessed that notwithstanding the unavailability of the information to assess observance of the end-June 2022 PCs, the program will be successfully implemented and there is no clear evidence that such QPCs will not be met.

11. Discussions on missed ITs and delayed SBs helped formulate plans to bring them back on track and propose new SBs (see Policy Discussions, Section C and MEFP ¶22). Five new SBs were added: (i) establishment of mechanisms to limit SNH direct interventions by end-December 2022; (ii) completion of SONARA's restructuring plan, including industrial and financial options by end-2022; (iii) in collaboration with the World Bank, submission of a timetable to scale up the existing social transfer mechanism; (iv) conducting a study on the sustainability of the civil service pension system; and (v) in consultation with the World Bank conducting a study on fuel price mechanism reform (Table 10).

12. Safeguards Assessment. The 2022 update safeguards assessment found that the BEAC maintained strong governance arrangements following legal reforms in 2017. The BEAC also completed its multi-year initiative in 2019 to transition to International Financial Reporting Standards, strengthening its financial reporting practices. The external audit arrangements continue to be robust. Nonetheless, the internal audit mechanism faces capacity constraints and is not yet fully aligned to international practices. The BEAC also needs to strengthen its risk management and cyber resilience and develop business continuity and disaster recovery plans."

POLICY DISCUSSIONS

13. Discussions focused on macro-critical policies to manage current shocks and bolster Cameroon's growth and resilience. Discussions covered (i) short-term policies to (a) manage the food and fuel shock, while continuing to rebuild buffers and protecting the poor, and (b) sustain the COVID-19 pandemic response; and (ii) medium-term policies to fully unlock Cameroon's substantial growth potential and bolster resilience to shocks, including structural fiscal reforms, debt management and reduction of debt vulnerabilities, good governance, transparency and anti-corruption, and reforms to accelerate private sector-led economic diversification and boost financial sector resilience.

A. Managing Food and Fuel Shocks, while Rebuilding Buffers and Protecting the Vulnerable

14. The surge in oil prices has led to improved fiscal and external positions but the cost of fuel subsidies has reached historic highs and the outlook is uncertain. The war in Ukraine has added a substantial oil and food price shock at a time when major economies are tightening monetary policies (Annex II). As a net oil exporter, Cameroon stands to benefit from the higher oil prices. Oil revenue in 2022 is projected to increase by 0.5 percentage points to 2.9 percent of GDP from 2.4 percent envisaged during the First Review and CFAF 244 billion compared to the initial budget law (BL2022) which was based on a lower oil price assumption. However, any projected benefits are highly uncertain given the rising cost of food and fuel subsidies, continuing vulnerability to COVID-19 risks given the slow pace of vaccination, and rising security outlays. In addition, the war in Ukraine has set back the global recovery with both slower growth and higher inflation than previously envisaged, increasing downside risks for Cameroon.

15. Cameroon is thus faced with difficult policy choices. Under Cameroon's current fuel price stabilization mechanism, higher international oil prices automatically result in a surge in subsidies. The draft Revised Budget Law (RBL2022) estimates the costs of fuel subsidies to increase to about 1.8 percent of GDP in 2022, from 0.5 percent in 2021, following an increase in the budget oil price to US$102 from US$64.5 per barrel). With high public debt levels, and volatile international financial markets, the policy space is now very limited.

16. The draft 2022 Revised Budget Law (RBL2022) stays the course of fiscal consolidation. The authorities aim to maintain a fiscal consolidation path consistent with the program and CEMAC's convergence criteria. To do so, they target (i) a reduction of the overall fiscal deficit over the course of the program and (ii) a non-oil primary deficit (cash basis) (expected to decrease to 2.1 percent of GDP in 2024 from 4.5 percent of GDP in 2020), reflecting revenue measures and policies to contain current spending. Preliminary data indicates that the non-oil primary deficit (cash basis) will increase to 4.6 percent of GDP in 2022 from 3.7 percent in the First Review. The authorities plan to maintain the overall fiscal deficit (cash basis, including grants) at 2.5 percent in 2022, about 0.3 percentage points lower than in the First Review.

17. The RBL2022 relies on higher oil revenues, cuts in current expenditures, and reduced investment to cover the increased fuel subsidies and contain the fiscal deficit (Text Table 1). Although untargeted, in the absence of an adequate safety net, staff agree with the government's strategy to temporarily increase subsidies using oil revenue windfalls while the energy price mechanism and targeted social assistance are being developed. This would lead to an increase in the 2022 program target for the non-oil primary balance by 0.7 percent of GDP to accommodate the higher subsidies, while keeping the overall fiscal balance in line with program objectives. The new measures will limit the reduction in the overall balance (payment order basis) to 0.1 percentage point of GDP:

- **Revenues.** The net increase in domestic revenue will amount to CFAF 214 billion net, of which a CFAF 244 billion oil revenue windfall and CFAF 10 billion from the sale of COVID-19 PCR tests. Lost customs tax and customs revenue from the effects of the war in Ukraine, the authorities' tax relief measures, and the implementation of the Economic Partnership Agreement (EPA) with the European Union will reach CFAF 40 billion.

- **Expenditure.** The net increase in expenditure is projected at CFAF 243 billion following an increase in fuel subsidies of around CFAF 360 billion, and the payment of salaries due to teachers following a strike, amounting to CFAF 49.5 billion. Cuts in expenditure will affect goods and services (CFAF -46.5 billion), capital expenditure (CFAF -60 billion), and COVID-19 expenditures (CFAF -50 billion).

18. While recognizing efforts to contain the overall fiscal deficit in the draft RBL2022, staff stressed that the new level of fuel subsidies was unsustainable and advised the authorities to gradually increase fuel pump prices starting next year. Staff simulations indicate that the level of subsidies obtained under the current price structure, which has kept pump prices unchanged since 2016, is not sustainable (Annex III). Furthermore, containing the fiscal deficit has come at the cost of lower investment, which could reduce long-term growth. Given the fragile socio-economic environment, limited safety nets, and bearing in mind the violent 2008 protests against high fuel and food prices, Staff recommended gradually reducing fuel subsidies starting in 2023 with an increase in pump prices of about 21 percent (corresponding to a break-even Net Fiscal Contribution (NFC) in Scenario 3, Annex III) to continue staying the course on program objectives. Additional measures to reach the 2023 non-oil revenue target and lower current expenditure in 2023 will be needed. Delayed non-oil revenues-enhancing measures, including the recovery of tax arrears from SOEs, the streamlining of the least effective VAT expenditure, and the taxing of donor funded projects should resume.

Text Table 1. Cameroon: Revision to the 2022 Budget Law
(CFAF Billion, unless otherwise indicated)

Total revenues	**214.0**
Oil sector revenue	244.0
Non-oil sector revenue	-30.0
Total expenditures	**243.0**
Current expenditure	363.0
Wages and salaries	49.5
Goods and services	-46.5
Subsidies and transfers	360.0
Capital expenditure	-60.0
Domestically financed investment	-44.0
Rehabilitation and participation	-16.0
Covid-19-related spending	-50.0
Local production stimulus fund	-10.0
Overall balance (payment order basis)	**-29.0**
Budget oil price (US$ per barrel)	37.5

Sources: Country Authorities and IMF Staff estimates

19. At the same time, staff stressed the need to limit the impact of the fuel price increases on the most vulnerable households (Annex II). This argues for differentiated price increases which would increase (or keep unchanged) the price of kerosene at a much lower rate than for other fuel products such as super carburant and diesel. Kerosene accounts for 5 percent of total fuel product consumption in Cameroon and is used by poor households. The current safety nets should also target to the extent possible the most vulnerable households (new SB19 and SB21 and MEFP ¶22) and new measures should be carefully designed and sequenced, including expiration clauses. Staff highlighted the importance of clear communication on opportunity costs of untargeted fuel subsidies and the reform objectives.

20. Staff recommended adopting a clear timeline for fully phasing out fuel subsidies in the medium term while developing targeted measures to protect the most vulnerable. The authorities agreed to continue revising and simplifying the fuel price structure to identify fiscal and other cost-reducing opportunities (Annex III).[6] In addition, SONARA's operational restructuring—when completed— should reduce oil imports, with its new hydrocracking technology allowing refining of domestically produced crude oil. In parallel and in coordination with the World Bank, the authorities intend to accelerate efforts to bolster Cameroon's social safety nets with targeted measures to protect the most vulnerable, including cash transfers as fuel subsidies are phased out.

21. The authorities are actively mobilizing financing to manage a potential food crisis. Cameroon, the regional food basket exports food products to neighboring countries. However, risks

[6] The new pricing formula introduced in March 2020 helped reduce fiscal costs and enhance transparency. Under the new system and on a quarterly basis, the bidder with the lowest price supplies the local market.

to the agricultural sector are mounting with price increases in fertilizers, seeds, and other inputs. To guarantee the food security of the most vulnerable groups, the government, with the support of the World Bank and the African Development Bank, plans to provide targeted subsidies for fertilizers to improve crop yields and encourage alternative food crops, including maize, rice, sorghum, and soybeans. Financial support (IDA terms) of US$100 million is available from the World Bank's Emergency Project to Combat the Food Crisis in Cameroon approved in April 2022. Additional support of about CFAF40 billion would be provided through AfDB's new US$1.5 billion Emergency Food Production Facility to help tackle the global food crisis fueled by the war in Ukraine. The WFP and the FAO would also be ready to assist Cameroon to weather the food crisis.

Authorities' Views

22. The authorities agreed with the staff's recommendations while stressing that, unlike in previous episodes, energy subsidy reform will need to be considered this time in the context of rising food prices. Given their objective to maintain social stability, they plan to focus on identifying targeted measures to mitigate the impact of higher energy, food, and fertilizer prices on the most vulnerable. They committed to double the current cash transfer program with World Bank assistance (SB 19). The authorities set up a technical committee to work closely with donors to design measures, including an effective communication strategy, that would mitigate the social impact of high energy and food prices while accounting for Cameroon's specific characteristics.

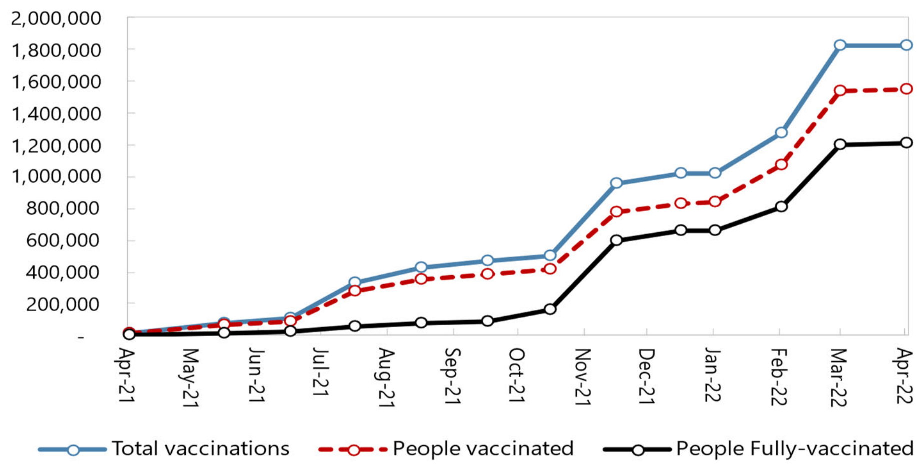
B. Sustaining the Pandemic Response

23. COVID-19 vaccination rates remain a concern (Annex IV). Staff emphasized the risks of resurgence of cases in a low-vaccination environment. As of June 7, 2022, Cameroon had received 1.5 million doses of the Johnson & Johnson vaccine, 1.2 million doses of Sinopharm, 596 460 of AstraZeneca, and 152,100 doses of Pfizer. However, vaccination rates remain low. As of, June 7, 2022, 8.6 percent of the eligible population was fully vaccinated, and 11.1 percent had received one dose. Additionally, 23.9 percent of the healthcare personnel is fully vaccinated. In February, the Ministry of Public Health announced a new intensive COVID-19 vaccination campaign for March 16-20, 2022.

Authorities' Views

24. The authorities underscored their commitment to their COVID-19 response plan, with particular emphasis on the vaccination campaign. They noted that vaccine deployment continues to be hindered by security conditions in some regions, vaccine hesitancy and delivery logistics, including storage, health infrastructure, and lack of medical staff. Efforts to boost the vaccination campaign are ongoing and continue to focus on raising public awareness and reaching vulnerable populations. The authorities have also introduced a charge for COVID testing and are seeking ways to contain costs for low-income populations. Reported infection rates are decreasing steadily.

Text Figure 3. Cameroon: Vaccination against COVID-19[1]



Sources: World Health Organization; John Hopkins Coronavirus Resource Center
1/ Data as of June 2022

C. Structural Fiscal Reforms

25. The authorities' medium-term fiscal strategy aims for gradual fiscal consolidation, consistent with program objectives and CEMAC convergence criteria. The authorities will carry out a diagnostic study of tax policy, with IMF TA, to identify additional tax policy measures in the short and medium terms (SB1 and Text Table 1). Staff reiterated the importance of accelerating actions to strengthen revenue mobilization, increase transparency, modernize PFM processes, and reduce fiscal risks from SOEs. Specific steps include (MEFP ¶22):

Text Table 2. Cameroon: 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

- ***Public spending and cash management.*** The authorities have identified accounts to be transferred to the Treasury Single Account (TSA) and will proceed with the transfer of funds once the BEAC IT platform is available (August 2022) (SB3).

- ***Effectiveness and efficiency of capital spending.*** Measures include (i) setting procedures for monitoring project management units' performance; (ii) creating a maturation and compensation fund for public investment projects; (iii) establishing mechanisms for evaluating recurrent costs of State assets; (iv) implementing Public Procurement Code regulations, (v) reforming the legal and regulatory framework governing public-private partnerships (PPP) (SB6).

- ***Civil service pension system reform.*** The authorities intend to conduct a sustainability study of the system with a view to reducing quasi-fiscal risks (SB20).

- ***SNH Direct interventions***. The government will set up a reconciliation committee (including the Ministry of Finance and SNH) to identify their nature and ensure semi-annual regularization by type of expenditure (SB17).

- ***SONARA's financial and operational restructuring***. Steps include: (i) concluding in 2022 negotiations with oil traders; (ii) validating any shortfalls and/or overpayments on a monthly basis, and settling amounts owed within 120 days; (iii) demanding from SONARA a regular payment of taxes and customs duties owed; and (iv) maintaining at SONARA a volume of import authorizations for petroleum products commensurate with its financial commitments. In addition, the industrial, financial, and functional restructuring of SONARA is being pursued based on a clear timetable (SB18).

D. Maintaining Debt Sustainability and Market Access

26. Cameroon's overall debt sustainability indicators have improved compared to the previous DSA, but the country remains at high risk of debt distress. The improvement mainly reflects stronger fiscal balances and increased exports driven by higher oil and non-oil commodities prices. Nevertheless, Cameroon is still at high risk of external and overall public debt distress as its two external debt indicators and one public debt indicator continue to breach their respective thresholds and benchmark under the baseline scenario (DSA Figures 1 and 2). Debt indicators are expected to gradually improve in the medium term, but downside risks remain significant, including possible additional setbacks in recovery due to repercussions from the war in Ukraine, fiscal slippages due to rising subsidies, and intensified socio-economic tensions. Continued efforts are warranted to manage debt cautiously and limit reliance on non-concessional borrowing.

Text Table 3. Cameroon: Decomposition of Public Debt and Debt Service by Creditor, 2021–23

	Debt Stock end-2021 $US, millions	Percent of total debt	Percent of GDP	Debt Service 2021 $US, millions	2022	2023	2021 Percent of GDP	2022	2023
Total 1/	**18567**	**100.0**	**42.8**	**2746**	**2618**	**2018**	**6.0**	**5.6**	**4.0**
External	**13019**	**70.1**	**30.0**	**1331**	**1165**	**1301**	**2.9**	**2.5**	**2.6**
Multilateral creditors	5628	30.3	13.0	110	247	310	0.2	0.5	0.6
IMF	1157	6.2	2.7						
World Bank	2090	11.3	4.8						
AfDB	1560	8.4	3.6						
Other Multilaterals	821	4.4	1.9						
o/w IsDB	551	3.0	1.3						
o/w IFAD	93	0.5	0.2						
Bilateral creditors	5682	30.6	13.1	252	688	732	0.6	1.5	1.4
Paris Club	1876	10.1	4.3	10	286	246	0.0	0.6	0.5
o/w France	1605	8.6	3.7						
o/w Japan	96	0.5	0.2						
Non-Paris Club	3806	20.5	8.8	232	402	486	0.5	0.9	1.0
o/w China	3527	19.0	8.1						
o/w Turkey	141	0.8	0.3						
Eurobonds	934	5.0	2.2	824	59	113	1.8	0.1	0.2
Commercial lenders	774	4.2	1.8	145	171	145	0.3	0.4	0.3
o/w Bank of China	213	1.1	0.5						
o/w Intesa San Paolo SPA	136	0.7	0.3						
Domestic	**5548**	**29.9**	**12.8**	**1415**	**1453**	**717**	**3.1**	**3.1**	**1.4**
T-Bills (BTA)	415	2.2	1.0	851	421	0	1.9	0.9	0.0
Bonds	1784	9.6	4.1	211	405	231	0.5	0.9	0.5
Structured debt	1466	7.9	3.4	322	582	441	0.7	1.3	0.9
Non-structured debt	107	0.6	0.2	10	25	26	0.0	0.1	0.1
BEAC advances	994	5.4	2.3	21	20	20	0.0	0.0	0.0
Floats and arrears	782	4.2	1.8						
Memo items:	0								
Contingent liabilities	**1174**		**2.7**						
o/w: Public guarantees (external)	37		0.1						
o/w: Other contingent liabilities	1138		2.6						
o/w external	645		1.5						
o/w domestic	492		1.1						
Nominal GDP (CFAF, billions)				25158	27389	29325			
Exchange rate, end of period (CFAF/US$)				580	586	576			
Exchange rate, period average (CFAF/US$)				554	589	580			

Source: Country Authorities & IMF Staff estimates

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

27. **Cameroon is subject to a program ceiling on the present value (PV) of newly contracted or guaranteed external public debt**).[7] The ceiling of CFAF 512.9 billion for end-2022 builds on the authorities' borrowing plan (Text Table 3) which maintains the nominal value of the overall borrowing envelope for project loans at the same level as the 2021 budget (CFAF 650 billion). As of end-May 2022, the PV of newly contracted or guaranteed external debt amounts to CFAF 150.5 billion (US$ 277 million). The authorities have integrated the new debt limits based on PV terms in their borrowing plan which will ensure accountability before Parliament.

[7] Cameroon is assessed to have a significant amount of international financial market borrowing, having tapped the Eurobond market in July 2021. Its capacity to manage significant levels of market borrowing is demonstrated by the existence of its Medium-Term Debt Strategy (MTDS) and the annual borrowing plan.

Text Table 4. Cameroon: 2022 Summary Table on External Borrowing Program

PPG external debt contracted or guaranteed 1/	Volume of new debt (USD million)	Volume of new debt (CFAF billion) 2/	PV of new debt (CFAF billion) 2/ 3/
Sources of Debt Financing	**1373.5**	**746**	**512.9**
Concessional debt, of which	911.3	495	280.9
Multilateral debt	911.3	495	280.9
Bilateral debt	0.0	0	0.0
Non-concessional debt, of which	462.3	251	232.0
Semi-concessional debt	439.2	239	219.5
Commercial terms	*23.0*	13	12.5
Uses of Debt Financing	**1373.5**	**746**	**512.9**
Infrastructure	1196.8	650	416.9
Budget financing	176.7	96	96.0
Other	0.0	0	0.0

Source: Cameroonian Authorities & IMF Staff estimates

1/ Excludes ordinary credit for imports, debt relief obtained in the form of rescheduling or refinancing, and budget support loans from the WB.

2/ Calculated using exchange rate of 543.201 CFAF/USD

3/ The PV is calculated using the terms of individual loans and applying the 5 percent program discount rate. The PV of loans with a negative grant element is assumed to be equal to the nominal value of the loan.

E. Competitiveness and Private Sector Development

28. The government is determined to remove the structural impediments to private sector development and economic diversification. These obstacles include inadequate infrastructure, high factor costs, limited access to financing, and various distortions (legal and judicial system requiring improvement). In line with SND-30, the government will implement its strategic choices, specifically the promotion of basic infrastructure and strengthening of governance to increase competitiveness and promote private sector development.

29. Facilitation of foreign trade will continue to play a key role in the development and strengthening of Cameroon's competitiveness. To support cross-border trade, the government commits to supporting regional initiatives to migrate the customs information system, limiting intermediate controls on goods in transit at conventional checkpoints, and simplifying administrative formalities and procedures for cross-border trade. More specifically, it will: (i) reduce port transit times; (ii) reduce import and export port transit costs; (iii) complete the computerization of procedures for port platforms; and (iv) implement trade facilitation agreements. The authorities are committed to regional integration and the implementation of the AfCFTA.

30. The authorities are also committed to removing obstacles to a competitive business environment. To this end, the government will revise the law on private investment incentives with a view to its streamlining to promote healthy competition between economic operators (SB12), following the recommendations of the diagnostic study of fiscal policy. The authorities have strengthened the consultation format between the public and private sectors by integrating thematic groups with meetings at least every six months to monitor the implementation of the recommendations of the Cameroon Business Forum (SB11).

F. Financial Sector Resilience

31. Fragilities are rising in the banking system. Non-performing loans (NPLs) rose in 2021 despite regulatory forbearance by the BEAC, reaching almost 15 percent of gross loans, raising concerns of higher credit losses in the near term.[8] Overdue loans are particularly high for private firms,. However, aggregate capital, liquidity, and fixed asset ratios improved moderately, but may worsen when forbearance measures expire and credit risk increases. Concentration risks have declined but remain high. Sovereign-bank linkages have intensified as Cameroon is the reference debt issuer for the CEMAC regional market.

32. While noting that macroprudential policy resides in the regional institutions, staff highlighted steps at the national level that can help boost resilience. These include : (i) finalize measures, within the deadlines set by COBAC, to restructure the two banks in difficulty by the end of December 2022 at a total fiscal cost of CFAF 20.6 billion and open their capital to the private sector; this total fiscal cost will not be used to bail out private shareholders who will first fully absorb losses before public funds are injected, (ii) continue training judges and court clerks in resolving banking disputes and transform commercial chambers into specialized commercial courts with judges trained in commercial litigation; (iii) encourage banks and financial institutions to systematically fill in the national register of movable securities (RNSM) and; (iv) review the functioning of the SRC, with a view to reducing its weight on public finances.

G. Governance, Gender, and Climate Change

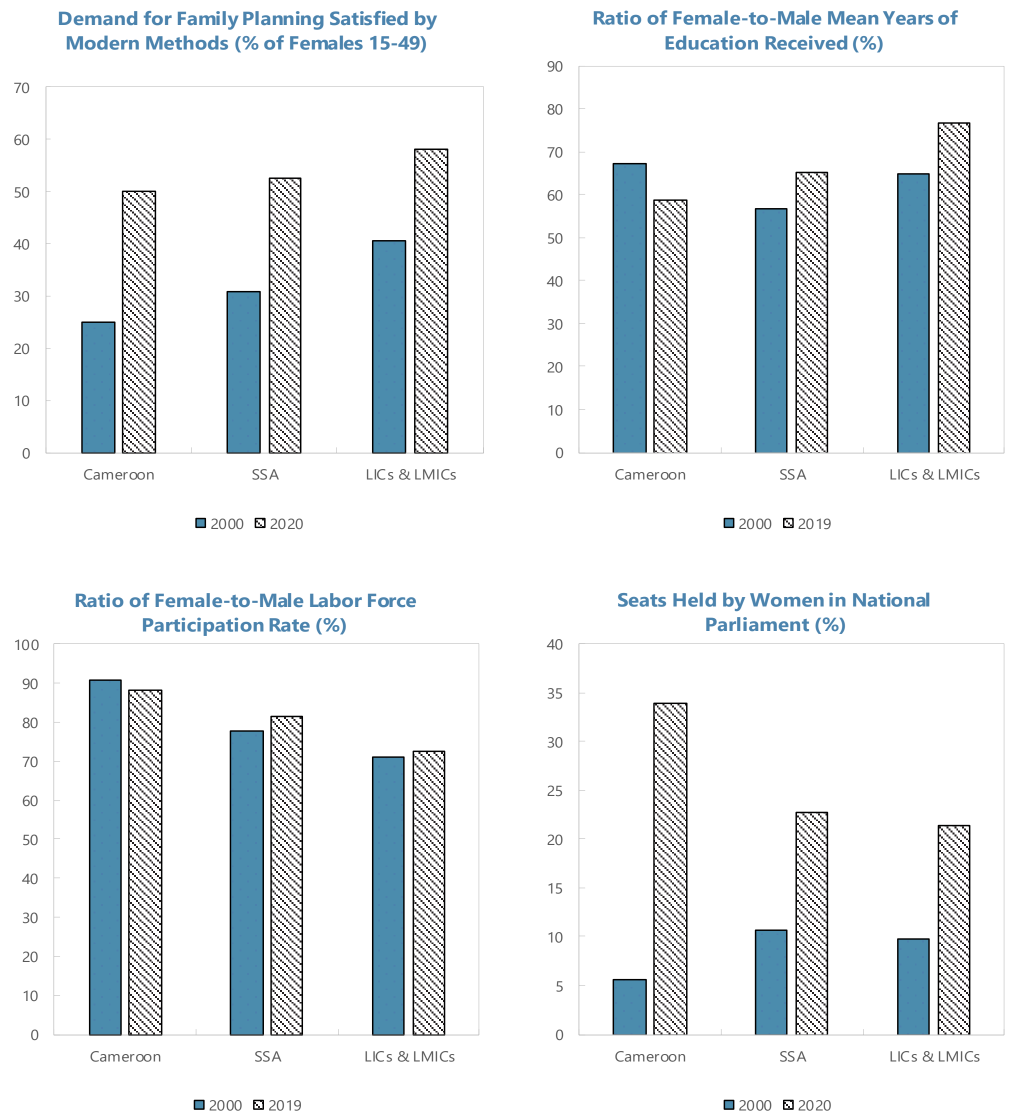
33. The authorities agreed with staff on the growth and inclusiveness benefits of accelerating the pace of structural reforms. Specific steps include:

- ***Improving governance and strengthening the anti-corruption framework.*** In addition to the RCF-related commitments, which the authorities have met, preparations are underway to meet governance-related SBs. The authorities are preparing to undertake, in consultation with IMF staff a governance diagnostic (SB14) and to prepare an action plan for strengthening the frameworks for preparation, publication, and follow-up of public spending audits, with recommendations for strengthening the relevant institutions (SB15). The authorities also intend to publish 2021 COVID expenditure information (SB16).

- ***Promoting Gender Equality.*** Cameroon's CPIA score on gender equality remains below the SSA average (Text Figure 4). Nevertheless, practical steps have been taken, including the inclusion in the 2022 budget law of an annex devoted to gender budgeting, which focuses on eight pilot ministerial departments and allows an assessment of policies implemented and budgetary allocations. The authorities have yet to expand gender budgeting beyond the pilot departments. There are also no recent actions to facilitate female entrepreneurship and intensify consultations with banks and technical and financial partners to facilitate women's access to credit. Staff encourages the authorities to intensify work to narrow gender participation gaps, which could deliver notable economic gains.[8]

- ***Mitigating and Adapting to Climate Change.*** The authorities will complement their SDN30 with the World Bank's Climate Change Development Report (CCDR) to identify key challenges, the potential cost and loss to the economy, as well as opportunities and adequate policy responses. The authorities expressed a keen interest in the Fund's Resilience and Sustainability Trust and would like Cameroon to be considered as part of the initiative. They indicated that their strategy to boost hydroelectricity generation would lead to cheaper electricity costs, lower fuel imports, and reduced subsidies.

Text Figure 4. Cameroon: Gender Equality Indicators



Sources: UNDESA; UNESCO; ILO; IPU

[8] IMF Country Report No. 18/256

PROGRAM MODALITIES, AND CAPACITY DEVELOPMENT

A. Program Modalities

34. The BEAC has provided updated policy assurances in support of CEMAC countries' Fund-supported programs. While the end-December 2021 regional policy assurance on NFA was not implemented, the deviation was temporary, and the relevant target was reached in early January 2022. In its follow-up letter of policy support of June 2022, the BEAC reiterated its commitment to maintaining 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. As part of measures to support the reserve position, it (i) raised its policy rate (TIAO) and marginal lending facility by 50 basis points in March 2022 to help contain higher inflationary pressures; (ii) increased the interest rate on the liquidity absorption window by 25 basis points in February 2022 to reduce excess liquidity, stimulate the interbank market, and improve monetary policy transmission; and (iii) reduced weekly liquidity injections to CFAF 180 billion in March 2022. The BEAC will also continue to work towards effective application of the foreign exchange regulation, including by starting implementation of the recently agreed adaptations for the extractive sector from 2022. The regional assurances on regional NFA are critical for the success of Cameroon's Fund-supported program and will help bolster the region's external sustainability.

35. BEAC has provided updated policy assurances in support of CEMAC countries' Fund-supported programs. The regional assurances on the regional NFA are critical for the success of Cameroon's Fund-supported program and will help bolster the region's external sustainability.

36. Changes to Program Conditionality. Program performance is mixed with missed IT targets and delayed structural reforms in some key areas. (Tables 9 and 10). All periodic quantitative performance criteria (QPC)s at end-December 2021 and related indicative targets (ITs) at end-March 2022 were met.

37. The authorities are requesting:

- Modification of one end-December 2022 IT (floor on non-oil revenue) and one end-December 2022 QPC (floor on the non-oil primary fiscal balance (payment order basis)), based on updated macro projections.
- The adoption of new March 2023 ITs on the following:
    - Floor on non-oil revenue
    - Ceiling on the net accumulation of domestic payment arrears
    - Floor on poverty-reducing social spending
    - Ceiling on direct interventions of SNH;

  - Share of spending executed through exceptional procedures on authorized (payment order) spending.

- Adoption of new end-June 2023 QPCs on the following:
  - Floor on the non-oil primary fiscal balance (payment order basis);
  - Ceiling on the net domestic financing of the central government (excluding IMF financing);
  - Ceiling on net borrowing of the central government from the central bank (excluding IMF financing);
  - Ceiling on the disbursement of non-concessional external debt.
- A waiver of applicability for the end-June 2022 QPC targets, as data will not be available by the time of the Board meeting.
- Five missed SBs are proposed to be reset and five new structural benchmarks were added to strengthen structural conditionalities, namely: (i) establishment of mechanisms to limit SNH direct interventions by end-December 2022; (ii) completion of SONARA's restructuring plan, including industrial and financial options by end-2022; (iii) in collaboration with the World Bank, submission of a timetable to scale up the existing social transfer mechanism; (iv) conducting a study on the sustainability of the civil service pension system; and (v) in consultation with the World Bank elaborating terms of reference for a study on fuel price mechanism reform (Table 10).

38. Program performance will continue to be reviewed semi-annually through six-monthly and continuous quantitative performance criteria (QPCs), quarterly indicative targets (ITs), and structural benchmarks (SBs). Program conditionality is updated reflecting the macroeconomic framework and the authorities' commitments to reforms (Table 10).

39. Program risks and mitigation. Risks relating to the war in Ukraine have compounded pandemic risks (¶9). Downside risks include further inflationary pressures, decreases in oil prices and sharp increases in global risk premia following the ongoing monetary policy tightening in advanced economies, and inadequate progress on fuel price subsidies. Cameroon also remains vulnerable to further COVID-19 risks given the low vaccination rates. These risks are mitigated by Cameroon's strong record of implementing its macroeconomic programs, close engagement with donors, a comprehensive CD program, and contingency planning, including its COVID-19 response plan. The authorities are committed to adopting other contingency measures to achieve program objectives, including a revised Budget Law in line with the program. Cautious management of the recent external shocks and continuing debt sustainability efforts are critical.

40. Cameroon's capacity to repay the Fund is adequate but subject to significant risks. Under the baseline, total Fund credit outstanding (based on existing and prospective drawings) peaks at 3.0 percent of GDP in 2023, while annual obligations to the Fund peak at about 2.7 percent of revenues and grants in 2027. Risks to the program and to the Fund are elevated and the capacity to repay the Fund could be further strained by the materialization of potential risks (see above).

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

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

	2021	2022	2023	2024	Total (CFAF, billions)	Total (SDR, millions)	Percent of Gap	Percent of Quota[1]
Financing Gap	**373**	**335**	**298**	**127**	**1133**	**1401**	**100**	**508**
IMF Financing	**96**	**150**	**87**	**44**	**377**	**464**	**33**	**168**
ECF	32	50	29	15	126	155	11	56
EFF	64	100	58	29	251	309	22	112
Budget Support from other Donors	**111**	**185**	**211**	**83**	**591**	**727**	**52**	**264**
AFDB	0	36	53	0	89	109	8	39
World Bank	80	88	116	57	342	421	30	153
France	0	46	26	26	98	120	9	44
EU	16	0	16	0	32	40	3	14
Other	15	15	0	0	30	37	3	14
Exceptional Financing	**166**	**0**	**0**	0	**166**	**210**	**15**	**76**
DSSI (Net)	166	0	0	0	166	210	15	76
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.

B. Statistical Issues

42. **Data provision is broadly adequate, however delays in providing economic and financial data should be minimized.** Data provision is robust however authorities should aim to disseminate data in a timely manner and minimize delays to facilitate surveillance.

C. Capacity Development

43. **The CD Strategy for Cameroon is well-aligned with the authorities' economic reform strategy for 2021-23 and program objectives (Annex V).**

STAFF APPRAISAL

44. **Following two years of COVID-19 challenges, Cameroon is facing improved terms of trade, but with increased inflationary pressures from the war in Ukraine.** The swift pandemic response helped initiate a recovery, with growth rebounding from pandemic lows to reach 3.6 percent in 2021, supported by domestic and global developments, especially higher oil prices. This allowed Cameroon, the CEMAC region's largest economy contributing to the region's nascent recovery and to help contribute to rebuilding regional fiscal and external buffers. Inflation averaged

2.3 percent and the external current account deficit improved substantially to 4.0 percent of GDP. The war in Ukraine has heightened policy challenges. As a crude oil exporter, Cameroon has experienced some positive effects on its external and fiscal positions. However, intensified higher global prices and supply disruptions have significantly increased the cost of fuel subsidies and are placing additional pressure on Cameroon's domestic prices, especially for food and fertilizers.

45. The economic outlook for 2022 remains positive, **but with increasing uncertainties.** Growth is expected to reach 3.8 percent, and improvements are projected in the current account deficit (including grants) to 2.1 percent of GDP. However, projections are subject to considerable uncertainty associated with the sharp increase in international commodity prices—especially for oil, fertilizer, and foodstuffs—accentuated by the war in Ukraine, and tightening conditions in international financial markets. Average inflation could rise to 4.6 percent in 2022.

46. The impact of higher oil prices on the budget is mixed. Improved oil revenues are more than offset by substantially higher fuel subsidies (estimated at 2.9 percent of GDP in 2022 from 0.5 percent in 2021). The authorities are committed to constraining the overall fiscal deficit to stay on their fiscal consolidation path. However, higher subsidy costs are being accommodated by reduced spending in other areas, including investment spending. Furthermore, the high cost of fuel subsidies would be difficult to sustain under current international oil price projections.

47. Staff and the authorities agreed on the need to start reducing fuel subsidies in 2023, gradually while limiting the impact on the most vulnerable households. Given the fragile socio-economic environment, staff recommends increasing fuel prices starting in 2023. Protecting the vulnerable argues for differentiated price increases which would increase (or keep unchanged) the price of kerosene at a much lower rate than for other fuel products such as super carburant and diesel. Clear communication will be critical to highlight both the opportunity costs of fuel subsidies and the reform objectives.

48. Cameroon's overall debt sustainability indicators have improved compared to the previous DSA, but the country remains at high risk of debt distress. The improvement mainly reflects stronger fiscal balances and increased exports driven by higher oil and non-oil commodities prices. Nevertheless, Cameroon remains at high risk of external and overall public debt distress, and while debt indicators are expected to gradually improve in the medium term, downside risks remain significant. Continued efforts are warranted to manage debt cautiously and limit reliance on non-concessional borrowing.

49. The pace of structural reform needs to be accelerated to strengthen productivity and accelerate private sector-led economic diversification. Staff encourages the authorities to press on with their plans to improve the business environment and to strengthen their dialogue with the private sector, a key engine of growth, and with civil society. 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 completion of key infrastructure projects, especially for energy and transport, should boost economic growth

50. Continued efforts are needed to improve public financial management and governance, and to reduce fiscal risks from public enterprises. In this regard, staff encourages the authorities to forcefully implement their plans to ensure the financial viability of SONARA, including concluding expeditiously negotiations on the restructuring of the debt vis-à-vis the traders (suppliers of crude oil and finished petroleum products). Also critical will be steps to improve the sustainability of the pension system in the public administration and to better manage the direct interventions of the SNH.

51. The program performance is mixed with all end-December 2021 QPCs met, but with some missed IT targets and delayed structural reforms in some key areas. All the QPCs for end-December 2021, were met, but three indicative targets were missed at end-December, namely SNH direct interventions, exceptional spending procedures and the accumulation of domestic arrears. Overruns are attributable to the difficult security situation. However, performance improved at end-March, with the IT on domestic arrears missed at-end December having been met. Implementation of the structural benchmarks is moving ahead albeit with delays. Of nine SBs due between end-December 2021 and end-June 2022, three have been met. One has been implemented with delay in July 2022 (on governance by program contracts, SB8). Five with a due date of end-June 2022 remain to be implemented. Staff called for enhanced implementation of structural reforms.

52. Based on Cameroon's performance under the program, the implementation, albeit with delay, of the end-December 2021 **regional policy assurances established in the June 2022 union-wide paper, staff supports the authorities' request for the completion of the second review.** Staff also supports the authorities' request for (i) modification of one end-December 2022 IT and one end-December 2022 QPC in line with program objectives; (ii) the adoption of the new March 2023 ITs and end-June 2023 QPCs; (iii) a waiver of applicability[9] for the end-June 2022 QPC targets as data will not be available by the time of the Board meeting, and there is no clear evidence that such PCs will not be met. Staff proposes that completion of the third review be conditional on the implementation of critical policy assurances at the union level established in the June 2022 union-wide background paper.

[9] Reviewing performance under arrangements in the GRA and the PRGT operates differently. In the PRGT – each disbursement is linked to the completion of a specific review and to the observance of specific PCs linked to such review/disbursement. Here, the test date for the PCs that are being assessed for purposes of the second review under the ECF arrangement is end-December 2021. Notwithstanding what we have passed end-June 2022, end-December 2021 PCs remain "controlling PCs" for purposes of the second review under the ECF arrangement.

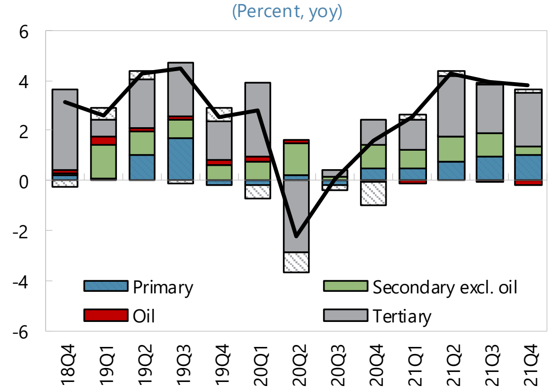
In the GRA, unlike the PRGT, purchases are conditioned upon observance of PCs related to the most recent test date. Here, the controlling PCs for purposes of the same second review under the EFF arrangement are end-June 2022 PCs.

Cameroon has blended arrangements composed of financing from both the GRA (the EFF) and the PRGT (the ECF). For the reasons explained above, the absence of data from end-June 2022 necessitates seeking a waiver of applicability only under the EFF arrangement of the blended financing (and not under the ECF arrangement).

Figure 1. Cameroon: Real Sector Developments, 2016–22

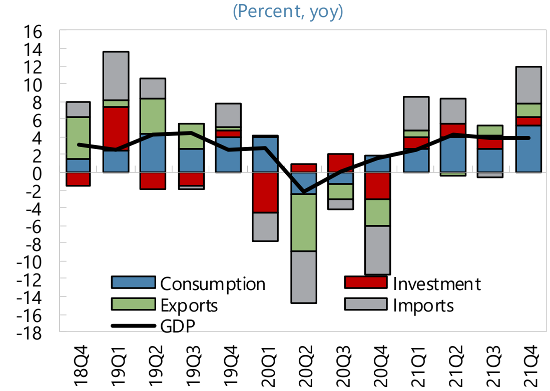
Growth recovered to near pre-pandemic levels, driven by a strong rebound in the tertiary sector...

Growth Composition, 2018Q4-21Q4
(Percent, yoy)



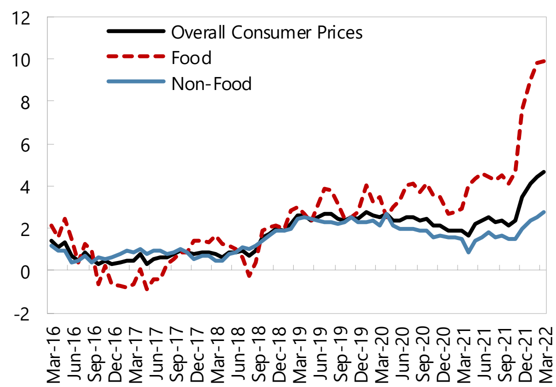
...and exports and consumption have recovered as lockdowns have eased.

Growth Composition, 2018Q4-21Q4
(Percent, yoy)



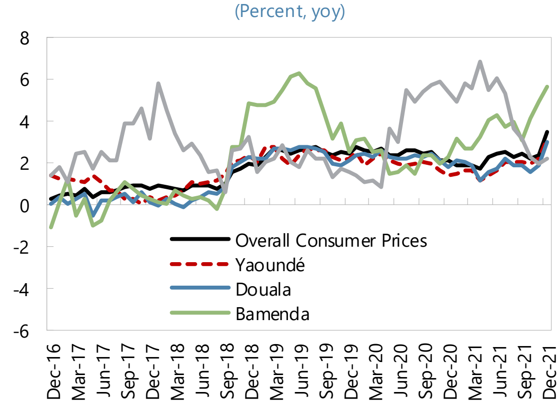
Inflation, driven by food and energy prices, has accelerated rapidly...

Consumer Price Indices, 2016M3-22M3
(Percent, yoy)



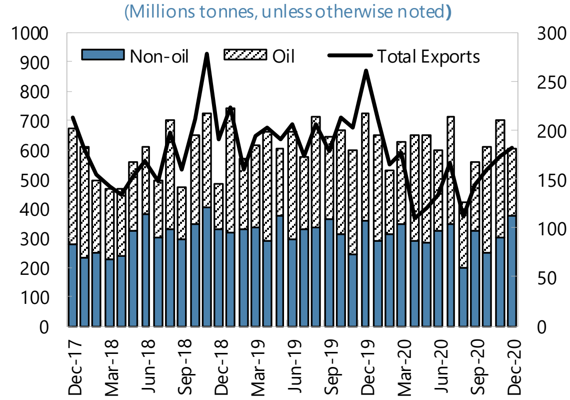
... with some regional variations.

Consumer Price Indices, 2016M12-21M12
(Percent, yoy)



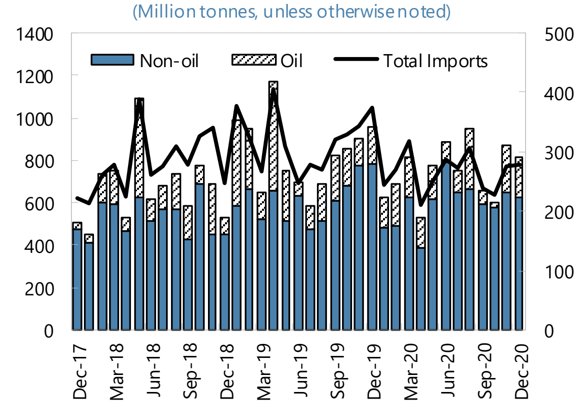
Exports are recovering from pandemic lows...

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



... with imports improving in parallel.

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

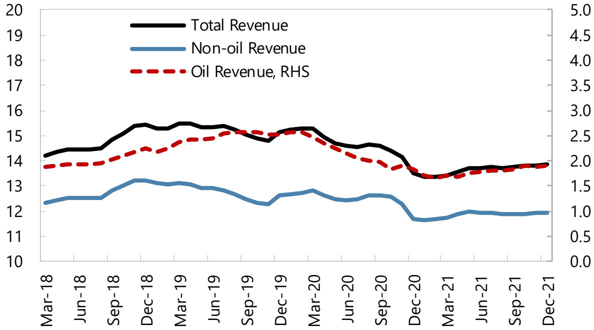


Sources: Cameroonian authorities; BEAC; and IMF staff calculations.

Figure 2. Cameroon: Fiscal Developments, 2017–22

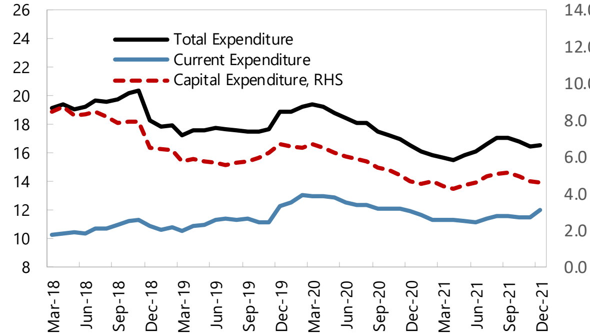
Non-oil revenues have begun to recover in 2021…

Revenue and its Composition, 2018M1-21M12
(12 month total as a percentage of 12 month GDP)



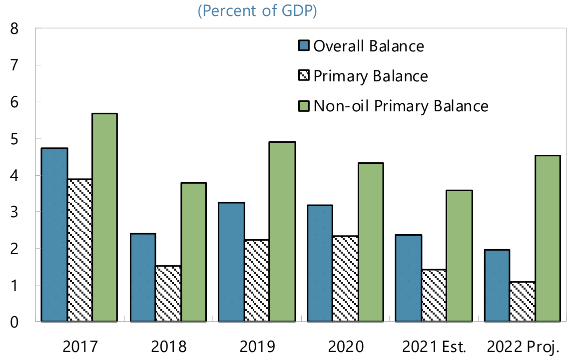
…while capital spending decreased.

Expenditure and its Composition, 2018M1-21M12
(12 month total as a percentage of 12 month GDP)



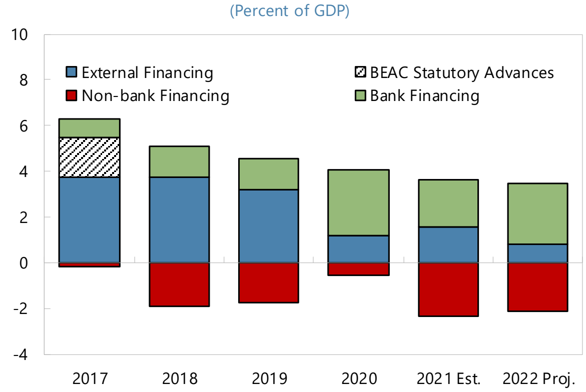
The fiscal deficit increased as authorities responded to the pandemic…

Fiscal Deficit, 2017-22p
(Percent of GDP)



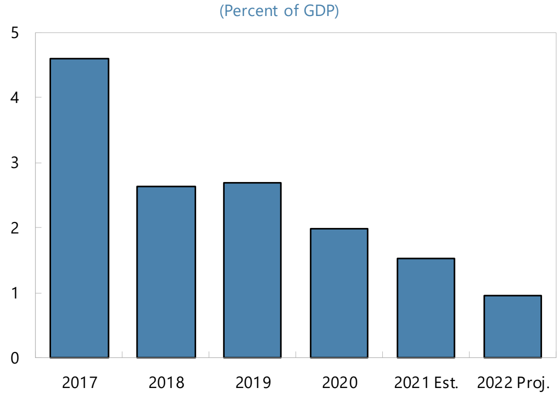
…with greater reliance on net foreign financing.

Financing, 2017-22p
(Percent of GDP)



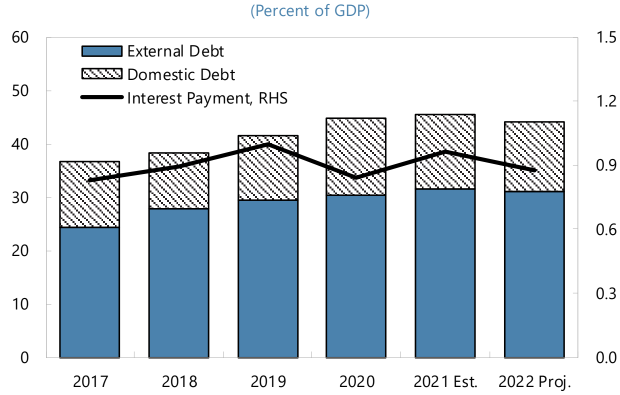
Unpaid government obligations are shrinking…

Unpaid Government Obligations, 2017-22p
(Percent of GDP)



…and public debt continues to increase.

Public Debt and Interest Payments, 2017-22p
(Percent of GDP)



Sources: Cameroonian authorities; and IMF staff calculations.

Table 1. Cameroon: Selected Economic and Financial Indicators, 2021–27
(CFAF billion, unless otherwise indicated)

	2021		2022		2023	2024	2025	2026	2027
	1st Rev.	Est.	1st Rev.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)								
National account and prices									
GDP at constant prices	3.5	3.6	4.5	3.8	4.6	4.7	5.0	4.9	4.9
Oil GDP at constant prices	0.1	-3.2	0.1	4.2	-3.0	0.2	0.2	0.3	0.3
Non-Oil GDP at constant prices	3.6	3.8	4.6	3.8	4.8	4.8	5.1	5.0	5.0
GDP deflator	2.6	3.3	2.9	4.8	2.4	2.6	2.1	2.0	2.0
Nominal GDP (at market prices, CFAF billions)	24,951	25,158	26,828	27,389	29,325	31,506	33,766	36,152	38,682
Oil	929	801	1,009	1,187	1,090	992	927	883	859
Non-Oil	24,021	24,357	25,819	26,201	28,235	30,513	32,839	35,269	37,823
Consumer prices (average)	2.3	2.3	2.1	4.6	2.8	2.6	2.1	2.1	2.0
Consumer prices (eop)	2.1	3.5	2.0	4.1	2.9	2.1	2.1	2.1	2.0
Money and credit									
Broad money (M2)	13.8	17.2	10.7	15.6	10.1	8.1	6.7	6.1	7.0
Net foreign assets 1/	1.9	4.3	6.5	5.1	4.0	1.7	1.5	2.0	3.6
Net domestic assets 1/	11.9	12.9	4.2	10.5	6.1	6.4	5.2	4.1	3.4
Domestic credit to the private sector	5.4	9.7	5.6	9.1	12.4	10.9	7.4	7.5	3.1
	(Percent of GDP, unless otherwise indicated)								
Savings and investments									
Gross national savings	26.9	14.0	29.8	16.3	17.3	18.8	20.4	21.8	23.2
Gross domestic investment	30.3	17.9	31.8	18.4	20.0	22.0	23.6	25.0	26.0
Public investment	5.4	4.6	5.5	5.2	5.4	5.8	6.0	6.7	6.8
Private investment	24.9	13.4	26.2	13.2	14.6	16.2	17.6	18.3	19.2
Central government operations									
Total revenue (including grants)	13.9	14.1	14.9	15.4	15.9	15.7	15.5	15.5	15.4
Oil revenue	1.9	1.9	2.4	2.9	2.7	2.3	2.0	1.7	1.6
Non-oil revenue	11.7	12.0	12.0	12.0	12.8	13.1	13.4	13.6	13.7
Non-oil revenue (percent of non-oil GDP)	12.1	12.4	12.5	12.5	13.3	13.6	13.8	13.9	14.0
Total expenditure	17.0	16.5	16.7	17.4	16.1	16.0	15.9	16.7	16.7
Overall fiscal balance (payment order basis)									
Excluding grants	-3.4	-2.6	-2.4	-2.5	-0.5	-0.6	-0.6	-1.4	-1.4
Including grants	-3.1	-2.4	-1.8	-1.9	-0.2	-0.3	-0.4	-1.3	-1.3
Overall fiscal balance (cash basis)									
Excluding grants	-3.8	-3.0	-2.7	-3.0	-1.0	-0.9	-0.8	-1.4	-1.4
Including grants	-3.5	-2.8	-2.2	-2.5	-0.7	-0.6	-0.6	-1.3	-1.3
Non-oil primary balance (payment basis, percent of non-oil GDP)	-4.0	-3.4	-3.4	-4.2	-2.3	-1.9	-1.7	-2.3	-2.2
External sector									
Trade balance	-1.1	-1.5	-0.8	-0.7	-1.3	-2.0	-2.1	-2.1	-1.9
Oil exports	4.7	4.9	5.2	7.5	6.0	4.8	4.1	3.6	3.3
Non-oil exports	8.0	8.0	8.6	9.4	8.7	8.1	7.9	7.7	7.7
Imports	13.8	14.5	14.6	17.6	16.0	14.9	14.1	13.5	12.9
Current account balance									
Excluding official grants	-3.7	-4.4	-2.4	-2.6	-3.0	-3.5	-3.6	-3.5	-3.1
Including official grants	-3.4	-4.0	-2.0	-2.1	-2.6	-3.2	-3.3	-3.2	-2.9
Terms of trade	5.2	7.0	3.4	7.1	-7.1	-6.9	-4.6	-3.2	-2.5
Public debt									
Stock of public debt	47.2	45.5	45.0	44.0	40.8	37.9	35.3	33.9	32.6
Of which: external debt	33.9	31.6	32.8	31.2	30.3	29.2	28.2	27.6	26.9

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, 2021–27

(CFAF billion, unless otherwise indicated)

	2021		2022			2023	2024	2025	2026	2027
	1st Rev.	Est.	1st Rev.	Rev. Budget	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**3,457**	**3,559**	**3,996**	**4,223**	**4,223**	**4,653**	**4,952**	**5,242**	**5,590**	**5,965**
Total revenue	3,392	3,492	3,854	4,081	4,081	4,562	4,854	5,187	5,547	5,919
Oil sector revenue	477	482	633	806	806	801	717	663	631	614
Non-oil sector revenue	2,915	3,010	3,221	3,275	3,275	3,761	4,137	4,524	4,916	5,306
Direct taxes	632	698	697		768	932	1,076	1,195	1,310	1,434
Special tax on petroleum products	136	147	171		152	160	167	176	185	194
Other taxes on goods and services	1,411	1,601	1,490		1,717	1,863	1,996	2,184	2,368	2,527
Taxes on international trade	562	398	647		411	556	622	667	734	814
Non-tax revenue	174	167	216	226	226	250	276	301	319	337
Total grants	65	67	142	142	142	91	98	56	43	46
Projects	30	33	33	33	33	35	40	40	43	46
Other	34	35	109	109	109	56	59	15	0	0
Total expenditure	**4,241**	**4,157**	**4,489**	**4,722**	**4,757**	**4,718**	**5,039**	**5,383**	**6,046**	**6,475**
Current expenditure	2,729	2,970	2,848	3,167	3,237	3,063	3,137	3,346	3,609	3,827
Wages and salaries	1,070	1,074	1,125	1,174	1,174	1,263	1,352	1,442	1,549	1,643
Goods and services	728	963	786	740	811	810	890	974	1,063	1,116
Subsidies and transfers	629	691	697	1,013	1,013	768	664	688	737	789
Interest	302	242	240	240	240	222	231	243	260	279
External	237	165	157	157	157	156	159	166	177	190
Domestic	65	77	83	83	83	66	72	77	83	89
Capital expenditure	1,352	1,148	1,479	1,419	1,419	1,585	1,828	2,037	2,436	2,648
Domestically financed investment	583	617	664	620	615	711	858	992	1,316	1,508
Foreign-financed investment	734	511	780	780	780	848	942	1,015	1,090	1,109
Rehabilitation and participation	35	20	35	19	24	26	28	30	30	31
Net lending	-20	-91	-20	-20	-20	-20	-16	0	0	0
COVID-19-related spending	100	52	50	50	15					
COVID-19 vaccine procurement and delivery	20	20	50	35	35					
Local production stimulus fund	30	30	50	40	40	60	60			
Decentralization addendum special account	30	28	31	31	31	30	30			
Overall balance (payment order basis)										
Excluding grants	-849	-665	-635	-641	-676	-156	-185	-197	-499	-556
Including grants	-784	-597	-492	-499	-534	-65	-87	-141	-456	-509
CEMAC reference fiscal balance	**-822**	**-637**	**-678**		**-883**	**-343**	**-166**	**-88**	**-415**	**-506**
Adjustment to cash basis	**-99**	**-99**	**-100**	**-146**	**-146**	**-132**	**-90**	**-73**	**0**	**0**
Unexecuted payment orders (-=reduction)	0	0	0	0	0	0	0	0	0	0
Floats and arrears (- = reduction)	-99	-99	-100	-146	-146	-132	-90	-73	0	0
o/w Arrears (- = reduction)	-83	-83	-45	-65	-65	-39	0	0	0	0
o/w Floats (- = reduction)	0	0	-40	-55	-55	-50	-50	-50	0	0
o/w other arrears 1/	-17	-17	-15	-26	-26	-43	-40	-23	0	0
Overall balance (cash basis)										
Excluding grants	-948	-764	-735	-787	-822	-288	-275	-270	-499	-556
Including grants	-883	-697	-592	-645	-680	-197	-177	-214	-456	-509
Financing	**510**	**323**	**273**	**332**	**345**	**-101**	**50**	**214**	**456**	**509**
External financing, net	389	397	227	227	227	236	358	417	476	572
Amortization	-764	-586	-520	-520	-520	-577	-544	-557	-571	-490
Drawings	1,153	983	747	747	747	813	902	975	1,047	1,063
Eurobond	450	450								
Domestic financing, net	120	-74	47	106	118	-337	-308	-203	-20	-63
Banking system	511	511	520	690	720	138	63	163	149	201
Central Bank	161	161	170		170	-62	-137	-187	-213	-173
SDR Allocation	50	50	70		70					
Commercial Banks	350	350	350	550	550	200	200	350	362	374
Amortization of non-structured debt	-16	-16								
Other domestic financing	-374	-568	-473	-585	-602	-475	-372	-366	-170	-264
Financing gap	**373**	**373**	**319**	**313**	**335**	**298**	**127**	**0**	**0**	**0**
IMF Financing	**96**	**96**	**150**	**150**	**150**	**87**	**44**	**0**	**0**	**0**
ECF	32	32	50	50	50	29	15	0	0	0
EFF	64	64	100	100	100	58	29	0	0	0
Budget Support (excl. IMF)	**111**	**111**	**169**	**163**	**185**	**211**	**83**	**0**	**0**	**0**
AFDB	0	0	36	50	36	53	0	0	0	0
WB	80	80	88	53	88	116	57	0	0	0
France	0	0	45	45	46	26	26	0	0	0
EU	16	16	0	0	0	16	0	0	0	0
Other	15	15		15	15	0	0	0	0	0
Exceptional Financing	**166**	**166**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
DSSI	166	166								
Residual gap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Memorandum items:										
Primary balance (payment order basis, incl. grants)	-482	-356	-253	-259	-294	157	144	102	-195	-231
Primary balance (cash basis, incl. grants)	-581	-455	-353	-405	-440	25	54	29	-195	-231
Non-oil primary balance (payment order basis, incl. grants)	-959	-838	-886	-1,065	-1,100	-644	-573	-561	-826	-845
Non-oil primary balance (cash basis, incl. grants)	-1,058	-937	-986	-1,211	-1,246	-776	-663	-634	-826	-845
Unpaid government obligations	516	516	416		370	238	148	75	75	75
Float	280	280	240		225	175	125	75	75	75
Arrears	104	104	59		39	0	0	0	0	0
Other arrears 1/	132	132	117		106	63	23	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 2b. Cameroon: Central Government Operations, 2021–27

(In percent of GDP)

	2021		2022			2023	2024	2025	2026	2027
	1st Rev.	Est.	1st. Rev.	Rev. Budget	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**13.9**	**14.1**	**14.9**	**15.6**	**15.4**	**15.9**	**15.7**	**15.5**	**15.5**	**15.4**
Total revenue	13.6	13.9	14.4	15.1	14.9	15.6	15.4	15.4	15.3	15.3
Oil sector revenue	1.9	1.9	2.4	3.0	2.9	2.7	2.3	2.0	1.7	1.6
Non-oil sector revenue	11.7	12.0	12.0	12.1	12.0	12.8	13.1	13.4	13.6	13.7
Direct taxes	2.5	2.8	2.6		2.8	3.2	3.4	3.5	3.6	3.7
Special tax on petroleum products	0.5	0.6	0.6		0.6	0.5	0.5	0.5	0.5	0.5
Other taxes on goods and services	5.7	6.4	5.6		6.3	6.4	6.3	6.5	6.6	6.5
Taxes on international trade	2.3	1.6	2.4		1.5	1.9	2.0	2.0	2.0	2.1
Non-tax revenue	0.7	0.7	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9
Total grants	0.3	0.3	0.5	0.5	0.5	0.3	0.3	0.2	0.1	0.1
Projects	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	0.1	0.1	0.4	0.4	0.4	0.2	0.2	0.0	0.0	0.0
Total expenditure	**17.0**	**16.5**	**16.7**	**17.4**	**17.4**	**16.1**	**16.0**	**15.9**	**16.7**	**16.7**
Current expenditure	10.9	11.8	10.6	11.7	11.8	10.4	10.0	9.9	10.0	9.9
Wages and salaries	4.3	4.3	4.2	4.3	4.3	4.3	4.3	4.3	4.3	4.2
Goods and services	2.9	3.8	2.9	2.7	3.0	2.8	2.8	2.9	2.9	2.9
Subsidies and transfers	2.5	2.7	2.6	3.7	3.7	2.6	2.1	2.0	2.0	2.0
Interest	1.2	1.0	0.9	0.9	0.9	0.8	0.7	0.7	0.7	0.7
External	0.9	0.7	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5
Domestic	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Capital expenditure	5.4	4.6	5.5	5.2	5.2	5.4	5.8	6.0	6.7	6.8
Domestically financed investment	2.3	2.5	2.5	2.3	2.2	2.4	2.7	2.9	3.6	3.9
Foreign-financed investment	2.9	2.0	2.9	2.9	2.8	2.9	3.0	3.0	3.0	2.9
Rehabilitation and participation	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Net lending	-0.1	-0.4	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0
COVID-19-related spending	0.4	0.2	0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0
COVID-19 vaccine procurement and delivery	0.1	0.1	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Local production stimulus fund	0.1	0.1	0.2	0.1	0.1	0.2	0.2	0.0	0.0	0.0
Decentralization addendum special account	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Overall balance (payment order basis)										
Excluding grants	-3.4	-2.6	-2.4	-2.4	-2.5	-0.5	-0.6	-0.6	-1.4	-1.4
Including grants	-3.1	-2.4	-1.8	-1.8	-1.9	-0.2	-0.3	-0.4	-1.3	-1.3
CEMAC reference fiscal balance	**-3.3**	**-2.5**	**-2.5**	**-3.1**	**-3.2**	**-1.2**	**-0.5**	**-0.3**	**-1.1**	**-1.3**
Adjustment to cash basis	**-0.4**	**-0.4**	**-0.4**	**-0.5**	**-0.5**	**-0.4**	**-0.3**	**-0.2**	**0.0**	**0.0**
Unexecuted payment orders (-=reduction)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Floats and arrears (- = reduction)	-0.4	-0.4	-0.4	-0.5	-0.5	-0.4	-0.3	-0.2	0.0	0.0
o/w Arrears (- = reduction)	-0.3	-0.3	-0.2	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.0
o/w Floats (- = reduction)	0.0	0.0	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1	0.0	0.0
o/w other arrears 1/	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0
Overall balance (cash basis)										
Excluding grants	-3.8	-3.0	-2.7	-2.9	-3.0	-1.0	-0.9	-0.8	-1.4	-1.4
Including grants	-3.5	-2.8	-2.2	-2.4	-2.5	-0.7	-0.6	-0.6	-1.3	-1.3
Financing	**2.0**	**1.3**	**1.0**	**1.2**	**1.3**	**-0.3**	**0.2**	**0.6**	**1.3**	**1.3**
External financing, net	1.6	1.6	0.8	0.8	0.8	0.8	1.1	1.2	1.3	1.5
Amortization	-3.1	-2.3	-1.9	-1.9	-1.9	-2.0	-1.7	-1.7	-1.6	-1.3
Drawings	4.6	3.9	2.8	2.8	2.7	2.8	2.9	2.9	2.9	2.7
Eurobond	1.8	1.8	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing, net	0.5	-0.3	0.2	0.4	0.4	-1.1	-1.0	-0.6	-0.1	-0.2
Banking system	2.0	2.0	1.9	2.5	2.6	0.5	0.2	0.5	0.4	0.5
Central Bank	0.6	0.6	0.6		0.6	-0.2	-0.4	-0.6	-0.6	-0.4
SDR Allocation	0.2	0.2	0.3		0.3	0.0	0.0	0.0	0.0	0.0
Commercial Banks	1.4	1.4	1.3	2.0	2.0	0.7	0.6	1.0	1.0	1.0
Amortization of non-structured debt	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other domestic financing	-1.5	-2.3	-1.8	-2.2	-2.2	-1.6	-1.2	-1.1	-0.5	-0.7
Financing gap	**1.5**	**1.5**	**1.2**	**1.2**	**1.2**	**1.0**	**0.4**	**0.0**	**0.0**	**0.0**
IMF Financing	**0.4**	**0.4**	**0.6**	**0.6**	**0.5**	**0.3**	**0.1**	**0.0**	**0.0**	**0.0**
Budget Support (excl. IMF)	**0.4**	**0.4**	**0.6**	**0.6**	**0.7**	**0.7**	**0.3**	**0.0**	**0.0**	**0.0**
Exceptional Financing	**0.7**	**0.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
DSSI	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual gap	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:										
Primary balance (payment order basis, incl. grants)	-1.9	-1.4	-0.9	-1.0	-1.1	0.5	0.5	0.3	-0.5	-0.6
Primary balance (cash basis, incl. grants)	-2.3	-1.8	-1.3	-1.5	-1.6	0.1	0.2	0.1	-0.5	-0.6
Non-oil primary balance (payment order basis, incl. grants)	-3.8	-3.3	-3.3	-3.9	-4.0	-2.2	-1.8	-1.7	-2.3	-2.2
Non-oil primary balance (cash basis, incl. grants)	-4.2	-3.7	-3.7	-4.5	-4.6	-2.6	-2.1	-1.9	-2.3	-2.2
Unpaid government obligations	2.1	2.1	1.6		1.4	0.8	0.5	0.2	0.2	0.2
Float	1.1	1.1	0.9		0.8	0.6	0.4	0.2	0.2	0.2
Arrears	0.4	0.4	0.2		0.1	0.0	0.0	0.0	0.0	0.0
Other arrears 1/	0.5	0.5	0.4		0.4	0.2	0.1	0.0	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, 2021–27
(CFAF billion, unless otherwise indicated)

	2021		2022		2023	2024	2025	2026	2027
	1st Rev.	Est.	1st Rev.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
					(CFAF billion)				
Current account balance	**-838**	**-1,003**	**-523**	**-574**	**-771**	**-1,010**	**-1,101**	**-1,163**	**-1,107**
Trade balance	-281	-379	-218	-188	-377	-627	-720	-762	-738
Exports, goods	3,154	3,261	3,705	4,638	4,323	4,061	4,046	4,112	4,257
Oil and oil products	1,168	1,237	1,385	2,063	1,763	1,502	1,381	1,312	1,287
Non-oil sector	1,986	2,024	2,319	2,576	2,560	2,559	2,666	2,800	2,970
Imports, goods	-3,435	-3,640	-3,922	-4,827	-4,700	-4,689	-4,767	-4,874	-4,996
Services (net)	-379	-344	-300	-346	-371	-391	-393	-402	-372
Exports, services	1,155	1,308	1,399	1,494	1,574	1,686	1,814	1,945	2,084
Imports, services	-1,535	-1,652	-1,699	-1,839	-1,946	-2,078	-2,207	-2,347	-2,456
Income (net)	-479	-572	-355	-363	-331	-321	-337	-366	-390
Of which: interest due on public debt	-197	-197	-157	-157	-156	-159	-166	-177	-190
Transfers (net)	300	291	349	323	308	329	350	366	393
Inflows	448	448	506	492	487	519	552	581	621
Outflows	-147	-157	-156	-169	-179	-190	-202	-215	-228
Capital and financial account balance	**887**	**1,003**	**818**	**613**	**823**	**1,058**	**1,220**	**1,347**	**1,490**
Capital account	30	67	33	33	35	40	40	43	46
Capital transfers	30	33	33	33	35	40	40	43	46
Financial account	856	936	785	580	787	1,018	1,180	1,304	1,444
Official capital	598	133	227	227	236	358	417	477	574
Borrowing	1,362	719	747	747	813	902	975	1,047	1,063
Of which: SDR Allocation	-209	-209	0	0	0	0	0	0	0
Amortization	-764	-586	-520	-520	-577	-544	-557	-571	-490
Non-official capital (net)	378	840	598	519	622	716	792	857	900
of which: Foreign direct investment	370	359	583	503	629	724	800	866	911
Short-term private capital, net	-120	-37	-40	-166	-71	-56	-30	-30	-30
Errors and omissions	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**48**	**0**	**295**	**39**	**51**	**47**	**119**	**184**	**383**
Financing	**-48**	**0**	**-295**	**-39**	**-51**	**-47**	**-119**	**-184**	**-383**
Bank of Central African States	-422	-373	-614	-374	-316	-123	-40	-54	-229
IMF Repayments	0	0	0	0	-34	-52	-79	-129	-155
SDR Allocation	-209	-209	0	0	0	0	0	0	0
Financing gap	373	373	319	335	298	127	0	0	0
IMF Financing	96	96	150	150	87	44	0	0	0
Budget Support (excl. IMF)	111	111	169	185	211	83	0	0	0
Exceptional Financing	166	166	0	0	0	0	0	0	0
Residual gap	0	0	0	0	0	0	0	0	0
					(Percent of GDP)				
Trade balance	**-1.1**	**-1.5**	**-0.8**	**-0.7**	**-1.3**	**-2.0**	**-2.1**	**-2.1**	**-1.9**
Oil exports	4.7	4.9	5.2	7.5	6.0	4.8	4.1	3.6	3.3
Non-oil exports	8.0	8.0	8.6	9.4	8.7	8.1	7.9	7.7	7.7
Imports	13.8	14.5	14.6	17.6	16.0	14.9	14.1	13.5	12.9
Current account balance									
Including grants	-3.4	-4.0	-2.0	-2.1	-2.6	-3.2	-3.3	-3.2	-2.9
Excluding grants	-3.7	-4.4	-2.4	-2.6	-3.0	-3.5	-3.6	-3.5	-3.1
Overall balance	**0.2**	**0.0**	**1.1**	**0.1**	**0.2**	**0.2**	**0.4**	**0.5**	**1.0**
Foreign direct investment	**1.5**	**1.4**	**2.2**	**1.8**	**2.1**	**2.3**	**2.4**	**2.4**	**2.4**
					(Percentage change, unless otherwise indicated)				
Export volume	8.9	14.0	7.4	3.2	8.1	7.1	7.3	7.1	7.1
Crude oil	-1.9	-3.7	2.1	0.9	0.6	0.7	1.2	1.3	1.3
Nonoil	11.6	18.6	8.7	3.7	9.6	8.3	8.4	8.1	8.0
Import volume	8.6	15.7	8.0	5.6	4.9	5.9	4.5	4.3	3.4
Terms of trade	5.2	7.0	3.4	7.1	-7.1	-6.9	-4.6	-3.2	-2.5
Non-oil export price index	3.8	-0.3	7.5	22.8	-9.3	-7.7	-3.9	-2.8	-1.8
Export price index	14.1	12.7	9.3	37.8	-13.8	-12.3	-7.2	-5.1	-3.3
Import price index	8.5	5.3	5.7	28.7	-7.1	-5.8	-2.7	-1.9	-0.9
Oil price ($US dollars per barrel)	69.8	69.1	75.7	106.8	92.6	84.2	78.5	74.7	72.5

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

Table 4. Cameroon: Monetary Survey, 2021–27
(CFAF billion, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027
	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	**2,627**	**3,001**	**3,339**	**3,500**	**3,648**	**3,862**	**4,275**
Bank of Central African States (BEAC)	1,351	1,574	1,837	1,968	2,087	2,270	2,654
Of which : BEAC foreign assets	2,522	2,895	3,211	3,334	3,374	3,428	3,657
Of which: IMF credit	-672	-822	-875	-867	-788	-659	-504
Commercial banks	1,277	1,427	1,502	1,532	1,562	1,592	1,622
Net domestic assets	**4,697**	**5,466**	**5,986**	**6,583**	**7,106**	**7,543**	**7,928**
Domestic credit	5,648	6,817	7,488	7,984	8,457	8,745	9,129
Net claims on the public sector	2,310	3,180	3,405	3,462	3,605	3,532	3,756
Net credit to the central government	2,294	3,164	3,389	3,496	3,658	3,805	4,006
Central Bank	964	1,454	1,379	1,136	949	734	561
Claims	1,249	1,399	1,394	1,328	1,191	1,004	791
Credit under statutory ceiling	577	577	519	461	403	345	287
Counterpart of IMF credit	672	822	875	867	788	659	504
Deposits	-285	55	-15	-192	-242	-270	-230
Commercial Banks	1,330	1,709	2,009	2,359	2,709	3,071	3,445
Claims on the Treasury	1,394	1,709	2,009	2,359	2,709	3,071	3,445
Deposits	-65	0	0	0	0	0	0
Deposits of other public entities	-442	-442	-442	-492	-512	-732	-732
Credit to autonomous agencies	24	24	24	24	24	24	25
Credit to the economy 1/	3,772	4,071	4,517	4,956	5,287	5,647	5,830
Credit to public enterprises	434	434	434	434	434	434	456
Credit to financial institutions	44	44	44	44	44	44	44
Credit to the private sector	3,294	3,593	4,038	4,478	4,808	5,169	5,329
Other items (net)	-951	-1,351	-1,501	-1,401	-1,351	-1,201	-1,201
Broad money	**7,324**	**8,467**	**9,325**	**10,083**	**10,754**	**11,405**	**12,203**
Currency outside banks	1,541	1,769	1,941	2,092	2,227	2,357	2,516
Deposits	5,784	6,698	7,384	7,990	8,528	9,049	9,687
Memorandum items:							
Net borrowing from the central bank excluding IMF	292	632	504	269	161	75	57
Contribution to the growth of broad money (percentage points)							
Net foreign assets	4.3	5.1	4.0	1.7	1.5	2.0	3.6
Net domestic assets	12.9	10.5	6.1	6.4	5.2	4.1	3.4
Of which : net credit to the central government	6.5	11.9	2.7	1.1	1.6	1.4	1.8
Credit to the economy (annual percentage change)	10.7	7.9	10.9	9.7	6.7	6.8	3.2
Credit to the private sector							
Annual percentage change	9.7	9.1	12.4	10.9	7.4	7.5	3.1
In percent of GDP	13.1	13.1	13.8	14.2	14.2	14.3	13.8
Broad money (annual percentage change)	17.2	15.6	10.1	8.1	6.7	6.1	7.0
Currency outside banks	15.5	14.8	9.7	7.8	6.4	5.8	6.8
Deposits	17.6	15.8	10.2	8.2	6.7	6.1	7.1
Velocity (GDP/average M2)	3.4	3.2	3.1	3.1	3.1	3.2	3.2

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, 2022–36

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Fund obligations based on existing credit															
(SDR millions)															
Principal	-	41.4	63.5	96.6	159.2	174.8	136.2	114.1	81.0	36.8	7.4	-	-	-	-
Charges and interest	2.0	4.1	4.1	4.1	4.0	3.6	3.3	2.9	2.5	2.2	1.9	1.9	1.9	1.9	1.9
Fund obligations based on existing and prospective credit (SDR, millions)[1]															
Principal	-	41.4	63.5	96.6	159.2	190.1	173.0	161.3	130.0	85.9	56.4	24.5	4.9	-	-
Charges and interest	2.6	5.8	6.8	7.0	6.9	6.5	5.9	5.0	4.2	3.3	2.6	2.2	1.9	1.9	1.9
Total obligations based on existing and prospective credit															
SDR millions	2.6	47.2	70.3	103.6	166.1	196.6	178.8	166.4	134.2	89.2	59.0	26.7	6.8	1.9	1.9
CFAF billions	2.1	38.6	57.2	84.2	134.9	159.8	145.3	135.2	109.1	72.5	48.0	21.7	5.6	1.5	1.5
Percent of government revenue	0.0	0.8	1.2	1.6	2.4	2.7	2.2	1.9	1.4	0.9	0.6	0.2	0.1	0.0	0.0
Percent of exports of goods and services	0.0	0.7	1.0	1.4	2.2	2.5	2.2	1.9	1.4	0.9	0.6	0.2	0.1	0.0	0.0
Percent of debt service[2]	0.3	5.3	8.1	11.7	18.0	23.5	18.7	14.3	11.1	7.2	5.5	2.2	0.5	0.1	0.1
Percent of GDP	0.0	0.1	0.2	0.2	0.4	0.4	0.4	0.3	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Percent of quota	0.9	17.1	25.5	37.6	60.2	71.2	64.8	60.3	48.6	32.3	21.4	9.7	2.5	0.7	0.7
Percent of gross reserves	0.1	1.2	1.7	2.5	3.9	4.4	3.8	3.5	2.7	1.7	1.0	0.4	0.1	0.0	0.0
Outstanding IMF credit based on existing and prospective drawings															
SDR millions	1,021.2	1,090.2	1,081.9	985.3	826.2	636.0	463.1	301.8	171.7	85.9	29.4	4.9	0.0	0.0	0.0
CFAF billions	837.8	891.7	881.0	800.8	671.1	516.9	376.4	245.3	139.6	69.8	23.9	4.0	0.0	0.0	0.0
Percent of government revenue	19.8	19.2	17.8	15.3	12.0	8.7	5.8	3.5	1.8	0.9	0.3	0.0	0.0	0.0	0.0
Percent of exports of goods and services	13.7	15.1	15.3	13.7	11.1	8.2	5.6	3.4	1.8	0.9	0.3	0.0	0.0	0.0	0.0
Percent of debt service[2]	123.7	121.7	125.4	110.8	89.7	76.0	48.5	26.0	14.2	6.9	2.8	0.4	0.0	0.0	0.0
Percent of GDP	3.1	3.0	2.8	2.4	1.9	1.3	0.9	0.6	0.3	0.1	0.0	0.0	0.0	0.0	0.0
Percent of quota	370.0	395.0	392.0	357.0	299.3	230.4	167.8	109.3	62.2	31.1	10.7	1.8	0.0	0.0	0.0
Net use of Fund credit (SDR millions)	193.2	69.0	-8.3	-96.6	-159.2	-190.1	-173.0	-161.3	-130.0	-85.9	-56.4	-24.5	-4.9	0.0	0.0
Disbursements	193.2	110.4	55.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	0.0	41.4	63.5	96.6	159.2	190.1	173.0	161.3	130.0	85.9	56.4	24.5	4.9	0.0	0.0
Memorandum items: (CFAF billions)															
Nominal GDP	27,389	29,325	31,506	33,766	36,152	38,682	41,378	44,241	47,301	50,574	54,072	57,817	61,828	66,123	70,724
Exports of goods and services	6,132	5,898	5,748	5,860	6,057	6,341	6,728	7,139	7,565	8,012	8,479	8,979	9,513	10,084	10,695
Government revenue	4,223	4,653	4,952	5,242	5,590	5,965	6,526	7,021	7,559	8,147	8,719	9,397	10,149	10,864	11,671
Debt service[2]	677	733	703	723	748	680	776	943	985	1,008	867	984	1,033	1,063	1,146
CFAF per SDR (period average)	820.4	817.9	814.3	812.8	812.3	812.7	812.7	812.7	812.7	812.7	812.7	812.7	812.7	812.7	812.7

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, 2016–21Q2
(Percent)

	2016	2017	2018	2019	2020	2021 Q1	2021 Q2	CEMAC Average 2018	CEMAC Average 2019	CEMAC Average 2020
Capital adequacy										
Total bank regulatory capital to risk-weighted assets [1,2]	9.1	9.7	10.8	10.7	13.8	12.8	13.9	15.0	11.6	13.2
Total capital (net worth) to assets	7.5	7.8	8.7	8.9	9.9	9.8	9.7	10.9	10.9	12.4
Asset quality										
Non-performing loans to total loans	10.7	10.8	12.4	12.8	13.4	13.7	14.2	17.0	18.0	18.2
Non-performing loans net of provision to capital	12.1	6.0	7.6	7.0	8.2	9.2	6.7	33.5	32.8	31.5
Earnings and profitability										
Net income to average capital (ROE)	20.6	27.9	22.4	24.7	19.5		18.7	18.5	14.4	13.0
Net income to average assets (ROA) [3]	1.6	2.2	1.9	2.1	1.9		1.8	2.0	1.7	1.6
Non interest expense to gross income	89.6	88.2	87.3	96.5	89.1		83.3	…	…	…
Liquidity										
Liquid assets to total assets	23.2	24.2	26.4	25.9	30.1	27.8	29.9	26.5	25.1	27.7
Liquid assets to short-term liabilities	148.7	149.3	162.4	161.9	182.4	177.9	187.3	162.1	153.5	167.2

Source: Cameroonian authorities and le Banque des Etats de l'Afrique Centrale (BEAC)
1/ 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 capital.
2/ The risk-weighted assets are estimated using the following risk weights: 0% - cash reserves in domestic and foreign currency and claims on the central bank; 100% - all other assets.
3/ The ratio of after-tax profits to the average of beginning and end-period total assets.

Table 7. Cameroon: Schedule of Disbursements and Purchases Under 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.

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

	2021	2022	2023	2024	2025	2026
Total Financing Requirements	**1962**	**1468**	**1697**	**1729**	**1777**	**1918**
Current Account Deficit	1003	574	771	1010	1101	1163
Amortization of PPG Debt	586	520	610	596	636	700
Gross Reserves Accumulation (+ = increase)	373	374	316	123	40	54
Financing Sources	**1589**	**1133**	**1399**	**1602**	**1777**	**1918**
Capital Account	67	33	35	40	40	43
Financial Account	1522	1100	1364	1562	1737	1875
Financing Gap	**373**	**335**	**298**	**127**	**0**	**0**
Additional/Exceptional Financing Sources	**374**	**335**	**298**	**127**	**0**	**0**
IMF Financing	**96**	**150**	**87**	**44**	**0**	**0**
Prospective ECF	*32*	*50*	*29*	*15*	*0*	*0*
Prospective EFF	*64*	*100*	*58*	*29*	*0*	*0*
Budget Support (excl. IMF)	**111**	**185**	**211**	**83**	**0**	**0**
AFDB	*0*	*36*	*53*	*0*	*0*	*0*
WB	*80*	*88*	*116*	*57*	*0*	*0*
France	*0*	*46*	*26*	*26*	*0*	*0*
EU	*16*	*0*	*16*	*0*	*0*	*0*
Other	*15*	*0*	*0*	*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

Table 9. Cameroon: Quantitative Performance Criteria (QPC) and Indicative Targets (IT) Under the ECF and EFF Arrangements[1]

(CFAF billions, unless otherwise indicated)

	End-Dec 2021			End-Mar 2022			End-Jun 22	End-Sept 22	End-Dec 22	End-Mar 23	End-Jun 23
	QPC	Actual	Performance	IT	Actual	Performance	QPC	IT	QPC	IT	QPC
A. Quantitative Performance Criteria											
Floor on the non-oil primary fiscal balance (payment order basis)	-1,078	-1,003	Met	-41	104	Met	-432	-499	-1,083	-164	-316
Ceiling on the net domestic financing of the central government (excluding IMF financing) 2/	102	31	Met	106	-152	Met	150	210	46	-52	-121
Ceiling on net borrowing of the central government from the central bank (excluding IMF financing) 2/	114	62	Met	115	-186	Met	170	170	170	-15	-31
Ceiling on the disbursement of non-concessional external debt 3/	566	82	Met	162	60	Met	324	485	647	203	406
B. Continuous Quantitative Performance Criteria (starting from the program approval)											
Ceiling on the accumulation of new external payments arrears 4/	0	0	Met	0	0	Met	0	0	0	0	0
Ceiling on new non-concessional external debt contracted or guaranteed by the government 5/ 6/ 7/	0	188	Met	Applicable untill the Board date of the 1st review (02/23/2022)							
PV of contracting and guaranteeing of new external borrowing 8/				Starting from the Board date of the 1st review (02/23/2022)	150.5	Met	512.9	....	512.9	....	512.9
C. Indicative Targets											
Floor on non-oil revenue	2,930	3,007	Met	794	827	Met	1,558	2,361	3,275	908	1,837
Ceiling on the net accumulation of domestic payment arrears	-83	-37	Not Met	-10	-105	Met	-29	-53	-85	-15	-34
Floor for poverty-reducing social spending	1,111	1,126	Met	172	251	Met	382	716	1,062	287	337
Ceiling on direct interventions of SNH	145	224	Not Met	40	49	Not Met	80	110	145	40	80
Share of spending executed through exceptional procedures on authorized (payment order) spending 9/	5	7.8	Not Met	5	14.8	Not Met	5	4	4	4	4
Memorandum items:											
1. Cumulative external budget support, excluding IMF (earliest disbursement)	*110*	*54*		*45*	*0*		*45*	*135*	*170*	*29*	*69*
2. Balance of the special account for the unused statutory advances	*50*	*51*		*50*	*51*		*50*	*50*	*50*	*50*	*50*

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 is equal to the amount of non-concessional budget support approved up to a maximum of CFAF 110 billion. For 2022 the adjustment is equal to the amount of non-concessional budget support approved up to a maximum of CFAF 174 billion.

7/ For 2021, an adjustor of up to CFAF 300 billion is applied for the macro-critical projects specified in Text Table 1 of the TMU contracted after program approval. Non-concessional external debt already contracted or guaranteed in 2021 prior to program approval counts against the 2021 adjustor, including the potential uses of the Eurobond refinancing proceeds of CFAF 37.5 billion. For 2022, until the completion of the first review, the ceiling is upward exclusively for the projects specified in Table 1 of the TMU, up to a maximum determined by the difference between (i) CFAF 300 billion, and (ii) the amount of the adjustor applied at end-December 2021.

8/ Cumulative ceiling calculated from January 1, 2022 and monitored on a continuous basis from completion of the first review under the ECF/EFF arrangement. Excludes ordinary credit for imports, debt relief obtained in the form of rescheduling or refinancing, and budget support loans from the World Bank.

9/ 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.

Table 10. Cameroon: Structural Benchmarks

	Structural Benchmark	Due Date[1]	Indicator	Status	Comments	Revised due date[1]
	Revenue Mobilization					
1	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-22	Diagnostic sent to IMF staff.		Rephased during 1st Review. The IMF TA will be conducted in 2022.	
	Public finance and debt management					
2	Complete the audits of government payment arrears and adopt an arrears settlement plan of arrears certified by these audits.	Sep-22	Communication of the audit report and the clearance plan to IMF staff		Rephased during 1st Review. Audits that would provide a basis for clearing the debts are underway and should be communicated to IMF staff shortly.	
3	Pursue the reforms aimed at extending the TSA 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 STA accounts to the BEAC before the end of March 2022.	Jun-22	Transmission of the list of non-BEAC accounts and closed accounts and transferred to the BEAC to IMF staff.	Not met	Rephased during 1st Review. The authorities completed the 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, and as of December 31, 2021. The BEAC platform needed to repatriate the balances is not yet available but is expected in August 2022.	Dec-22
4	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	Met	A copy of the study was sent to IMF staff in May 2022.	
	Public Enterprises					
5	Finalize the diagnostic studies of a few large public companies (CAMTEL, PAD, CAMWATER)	Jun-22	Diagnostic studies sent to IMF staff	Not met	Rephased during 1st Review. PAD diagnostic report is being finalized and CAMTEL and CAMWATER diagnostics are ongoing.	Dec-22
	Public Investment Management (PIM)					
6	Adopt a legal and regulatory framework governing Public-Private Partnerships (PPP) so that all Public-Private Partnership projects follow a single framework.	Dec-22	Legal and regulatory framework published		Rephased during 1st Review. Pending the adoption of a regional framework, the authorities have already prepared a draft to be aligned with the future regional framework	
7	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.	Jun-22	Inventory and plan shared with IMF staff	Not met	Rephased during 1st Review. Cross-debt inventory report being finalized.	Dec-22
8	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	Not met	Rephased during 1st Review. Met in July 2022	
	Extractive Sector					
9	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	Not met	The implementing texts of the 2016 Mining Code had been finalized but the Code has to be revised to reflect the creation of SONAMINE in December 2020.	Mar-23

1/ Refers to end of the month.

Table 10. Cameroon: Structural Benchmarks (Concluded)

	Structural Benchmark	Due Date[1]	Indicator	Status	Comments	Revised due date[1]
	Business Climate					
10	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.	Jun-22	Decree designating the officers of the deposit and consignment fund	Not met	Rephased during 1st Review. The authorities have yet to nominate the officers responsible.	Dec-22
11	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	Met	New consultation format was confirmed in early 2022.	
12	Revise Law No. 2013/004 of April 18, 2013 to rationalize these incentives and promote healthy competition between economic operators.	Dec-22	A revised law is published		Rephased during 1st Review. To be rescheduled after the completion of the tax policy diagnostic.	
	Good Governance and Anti-Corruption					
13	Publish an execution report of expenses related to COVID-19 and executed during the 2021 budget year.	Jun-22	Publication of the report	Met	The report has been completed and will be published shortly	
14	Publish a diagnostic of vulnerabilities in governance, including in corruption, that would include state functions that are most relevant to economic activity; namely: (i) fiscal governance; (ii) financial sector oversight; (iii) market regulation; (iv) rule of law; and (v) Anti Money Laundering and Combatting the Financing of Terrorism (AML/CFT).	Jun-23	Publication of the report		Consultations with Legal Department of the IMF have been launched	
15	In consultation with IMF staff, prepare and publish an action plan for strengthening the frameworks for preparation, publication, and follow-up of public spending audits, with recommendations for strengthening the relevant institutions, especially the Supreme Court's Audit Bench.	Dec-22	Submission to the IMF staff		Consultations with Legal Department of the IMF have been launched	
16	Prepare and publish an audit prepared by the audit bench of the supreme court (chambre des comptes) of fiscal year 2021 expenses related to COVID-19.	Dec-22	Publication of the report			
	New Structural Benchmarks					
17	Direct Interventions: Put in place a mechanism to identify the type of expenditures of SNH's direct interventions and ensure their semi-annual regularization by type of expenditure.	Dec-22	Set up a reconciliation committee (including SNH and Ministry of Finance) and submit to IMF staff semi-annually a table of SNH interventions by type of expenditure.		New structural benchmark	
18	SONARA Restructuring Plan: Elaborate a restructuring plan for SONARA, including industrial and financial options under consideration.	Mar-23	Elaborate and submit to IMF staff the new restructuring plan for SONARA.		New structural benchmark	
19	Social Transfers: In consultation with the World Bank, submit to IMF staff a timetable to scale-up by 100 percent the existing mechanism for conditional cash transfers (filets sociaux) in 2023.	Dec-22	Submit to IMF staff a timetable for the scaling up of social transfers.		New structural benchmark	
20	Civil Service Pension System: Conduct a study of the sustainability of the civil service pension system (government officials) with a view to reduce quasi-fiscal risks.	Oct-22	Submit ToR to IMF Staff		New structural benchmark	
21	Fuel price mechanism: in consultation, with the World Bank, undertake a study on options for the reform of the existing fuel price mechanism aiming at gradually phasing out fuel subsidies while developing targeted measures to protect the most vulnerable households.	Dec-22	Submit study to IMF Staff		New structural benchmark	

1/ Refers to end of the month.

Annex I. Risk Assessment Matrix (April 26, 2022)[1]

Source of Risks	Relative Likelihood	Impact if realized	Recommended Policy Response
External Risks			
Russia's invasion of Ukraine leads to escalation of sanctions and other disruptions.	**High**	**Medium:** Sanctions on Russia are broadened to include oil, gas, and food sectors. Russia is disconnected almost completely from the global financial system and large parts of the trading system. This, combined with Russian countersanctions and secondary sanctions on countries and companies that continue business with Russia, leads to even higher commodity prices, refugee migration, tighter financial conditions, and other adverse spillovers, which particularly affect LICs and commodity-importing EMs.	Reinforce external buffers. Enhance social safety net. Diversify import sources.
Rising and volatile food and energy prices.	**High**	**Medium:** Commodity prices are volatile and trend up amid supply constraints, war in Ukraine, export restrictions, and currency depreciations. This leads to short-run disruptions in the green transition, bouts of price and real sector volatility, food insecurity, social unrest, and acute food and energy crises (especially in EMDEs with lack of fiscal space).	Save part of the oil proceeds towards policy buffers, including to support regional reserve target. Roll-back crisis-related accommodative policy measures and adhere to the planned fiscal consolidation to boost confidence and promote private sector-led growth.
Widespread social discontent and political instability.	**Medium**	**High:** Social unrest fueled by increasing prices and shortages of essentials, rising inequality, inadequate healthcare, financial and social scars from the prolonged pandemic, and heavier household debt burdens amid rising interest rates trigger political instability, capital outflows, higher unemployment, and slower economic growth.	
Abrupt growth slowdown in China.	**Medium**	**Low:** A combination of extended Covid-19 lockdowns, rising geopolitical tensions, a sharper-than-expected slowdown in the property sector, and/or inadequate policy responses result in a sharp slowdown of economic activity, with spillovers affecting other countries through supply chain disruptions, trade, commodity-price, and financial channels.	Diversify export destinations.
Outbreaks of lethal and highly contagious Covid-19 variants.	**Medium**	**Medium:** Rapidly increasing hospitalizations and deaths due to low vaccine protection or vaccine-resistant variants force more social distancing and/or new lockdowns. This results in extended supply chain disruptions and a reassessment of growth prospects, triggering capital outflows, financial tightening, currency depreciations, and debt distress in some EMDEs.	Continue to prioritize social and health related spending, including vaccines, and enhance the efficiency of spending. Energize external support to the economy and vaccination. Strengthen crisis management and preparedness.
De-anchoring of inflation expectations in the U.S. and/or advanced European economies.	**Medium**	**Low:** Worsening supply-demand imbalances, higher commodity prices (in part due to war in Ukraine), and higher nominal wage growth lead to persistently higher inflation and/or inflation expectations, prompting central banks to tighten policies faster than anticipated. The resulting sharp tightening of global financial conditions and spiking risk premia lead to lower global demand, currency depreciations, asset market selloffs, bankruptcies, sovereign defaults, and contagion across EMDEs.	

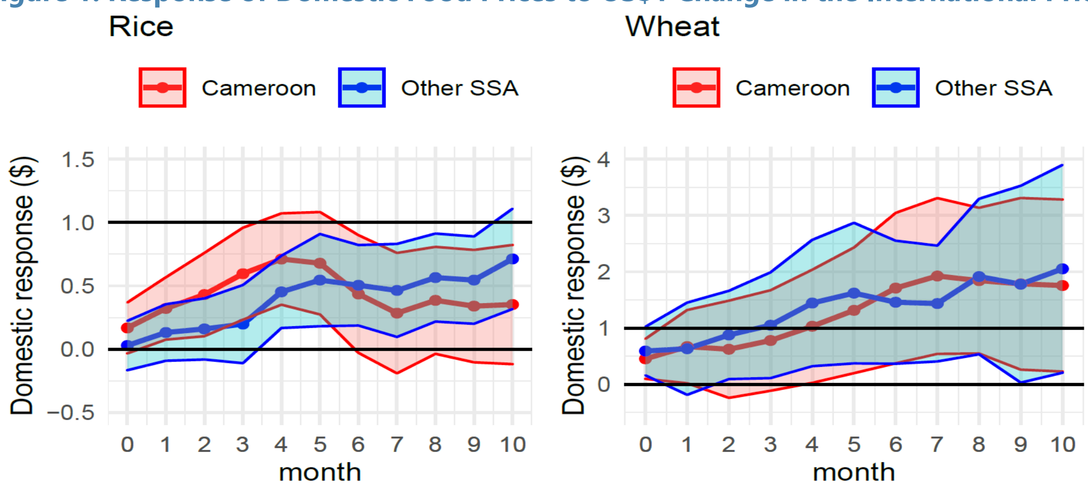
[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon. **G-RAM operational guidance is available from the SPR Risk Unit website**.

Source of Risks	Relative Likelihood	Impact if realized	Recommended Policy Response
		External Risks	
De-anchoring of inflation expectations in the U.S. and/or advanced European economies.	Medium	**Low:** Worsening supply-demand imbalances, higher commodity prices (in part due to war in Ukraine), and higher nominal wage growth lead to persistently higher inflation and/or inflation expectations, prompting central banks to tighten policies faster than anticipated. The resulting sharp tightening of global financial conditions and spiking risk premia lead to lower global demand, currency depreciations, asset market selloffs, bankruptcies, sovereign defaults, and contagion across EMDEs.	
Natural disasters related to climate change.	Medium	**Medium:** Higher frequency of natural disasters causes severe economic damage to smaller vulnerable economies and accelerate emigration. Severe events in large economies hitting key infrastructure reduce global GDP, cause further supply chain disruptions and inflationary pressures, and prompt a recalculation of risk and growth prospects.	
		Domestic Risks	
Deterioration of domestic social and political conditions	Medium	**High:** Uncertainty regarding the succession of President Biya could threaten period of relative political stability in the country. The ongoing crisis in the Anglophone region has fueled social discontent and is yet to be resolved. Given perceptions of poor governance and corruption, it may be difficult to maintain a sustainable consensus to govern which could compromise the macroeconomic stabilization gains made over the last three years and derail key reforms.	Communicate the benefits of the government's macroeconomic program and enhance the inclusiveness of the approach to economic management. Step up efforts to improve governance.
Unexpected downside shifts in the Covid-19 pandemic	Medium	**Medium:** Growth falls and public financing needs increase sharply, leading to higher fiscal and external financing gaps 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.
Spillovers from other CEMAC countries	Medium	**Medium:** 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	**Medium:** 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	**Medium:** 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.

Annex II. Food and Fuel Prices in Cameroon: Current Features and Reform Needs[1]

1. The recent large increase in global food and fuel prices has had important repercussions for Cameroon. Higher food prices have caused a reduction in real income for many vulnerable households, whose consumption basket is heavily skewed toward food items and whose income is not directly tied to the production of staple goods. These distributional impacts contrast with consumption patterns for energy products as the consumption share of kerosene is larger for low-income households and that of gasoline is greater for high-income households (Coady and El-Said 2007).

Figure 1. Response of Domestic Food Prices to US$1 Change in the International Price



Source: FAO and IMF staff estimates.
Note: Panel local projection methodology with country fixed effects and robust Newey–West standard errors. The "Other SSA group" includes Cote d'Ivoire, Mozambique, Namibia, Senegal in the case of rice, while it includes Namibia in the case of wheat. Confidence bands are the 95 percent level.

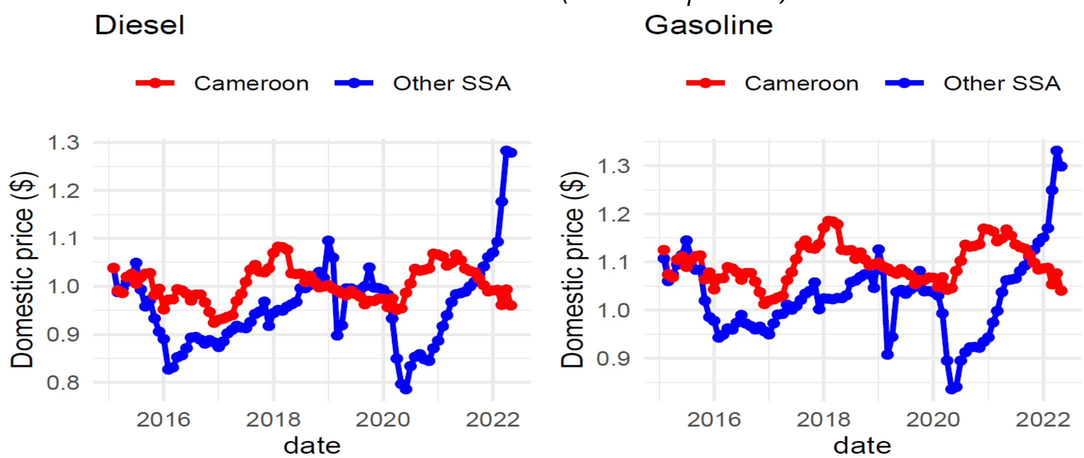
2. In Cameroon, food prices are set administratively but the pricing mechanism is not supported by an explicit subsidization system. This forces domestic prices to react to international prices. In the absence of a subsidization system, when administered prices are below market prices (namely import and/or production prices), profit margins for producers and distributors are squeezed. If the price gap were to become large, producers and importers would suffer losses and would respond by rationing, or even stopping altogether, production. The opposite would happen if administered prices were too much above market levels: producers and distributors would enjoy large pseudo-monopolistic rents at the expense of consumers. In any case, administered prices unaccompanied by a subsidization system create economic and political pressures that eventually

[1] Prepared by Roberto Piazza (FAD).

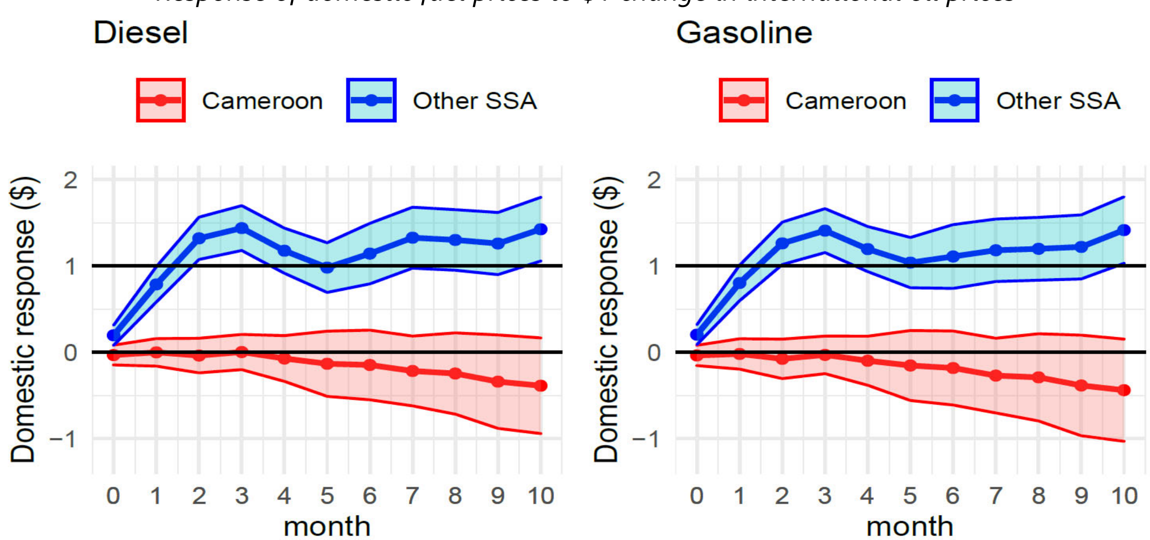
prevent large or prolonged deviations of domestic prices from market prices. Figure 1 shows that domestic food prices in Cameroon do in fact respond to changes in international prices, and that this response is similar to that in other Sub-Saharan African countries. The response builds up over time, reflecting a delayed adjustment of administered price. For rice, about half of the international price change is eventually passed through to domestic consumers. The pass-through for wheat is possibly even larger, although it is estimated imprecisely.

Figure 2. Domestic Prices of Diesel and Gasoline

Evolution since 2015 (US dollar per liter)



Response of domestic fuel prices to $1 change in international oil prices



Source: www.GobalPetrolPrices.com and IMF staff estimates.

Note: The "Other SSA group" includes Benin, Burkina Faso, Cape Verde, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Sierra Leone, South Africa, Tanzania, Togo, Zambia, Zimbabwe. International oil prices are proxied by Brent. Confidence bands are the 95 percent level. Panel local projection methodology with country fixed effects and robust Newey–West standard errors.

3. On the contrary, the non-responsiveness of Cameroon's domestic fuel prices to changes in international prices is underpinned by explicit subsidization mechanisms. The top panel of Figure 2 presents the evolution of domestic diesel and gasoline prices (in US dollars) for Cameroon and for an average of other Sub-Saharan countries. A first point to note is that, once averaged over the entire sample period, fuel prices is Cameroon are not dissimilar to those in other countries. Therefore, while in Cameroon retail prices in local currency change very little (essential of all their variation in the figure is attributed to exchange rate movements vis-à-vis the US dollar), they are not set at "low" level in absolute terms – at least in comparison to regional peers. Indeed, when international prices fall significantly, as during 2020, administered prices in Cameroon end up above international prices, creating a negative subsidy for consumers and tax revenues. On the other hand, when international prices are high, as is currently the case, domestic fuel price subsidization soars, giving rise to large costs for the public budget. The second observation that can be derived from Figure 2 is that the low volatility of retail prices in Cameron is unique compared to other countries in the region. This point is made even more clearly by the bottom panel of Figure 2, which shows that, in other Sub-Saharan countries, shocks to international oil prices are fully and quickly passed through to retail prices.

4. The widespread use of administered prices and fuel subsidies hinders the efficient adjustment of the economy to shocks and does not provide an effective protection for vulnerable families. The artificially slow response of domestic food prices causes stress along the food supply chain and represents a source of risk for food security. In addition, the almost complete elimination of the price signal for fuel goods prevents consumers and firms from adjusting efficiently. The large fiscal cost of fuel subsidization in periods of high oil prices represents also a very inefficient way to protect the poor and crowds out other more equitable uses of public funds. Previous analyses (Coady and El-Said 2007) have shown that out of every CFAF 100 transferred to households through fuel subsidies, only CFAF 16 go to the poorest 20 percent of the population, with the remaining amount accruing to higher income households. Even in the case of subsidies to kerosene, out of every CFAF 100 transferred only CFAF 29 go to poorest quintile of the population.

5. The progressive elimination of energy price subsidies is part of a reform process to strengthen domestic growth while making the economy more equitable and environmentally sustainable. The last time that Cameroon made a major attempt to actively reduce fuel price subsidies was in 2014. On July 1st of that year, retail fuel prices were increased by 15 percent on July 1. These measures, combined with a subsequent slump in international oil prices, led to a virtual elimination of fuel subsidies in 2015 (IMF 2015). The 2014 reform was accompanied by mitigating measures that included a 5 percent salary increase in the public sector, a 28 percent increase in the minimum wages, a 33 percent increase in taxi fees with reductions in taxes paid by transporters, taxis, and buses. The government held talks with unions and civil society organizations to explain the decision, which attracted significant attention in the media. However, at the time of the fuel price increase, cash transfers were only at the pilot stage.

6. Fuel price reforms are politically difficult to implement and are at risk of being reversed. Such was the fate of Cameroon's 2014 reform, which did not lead to a lasting elimination of fuel subsidies. In 2016, fuel prices were reduced and have remained unchanged ever since, notwithstanding the recent large increase in international prices.

7. The experience of successful energy subsidy reforms underscores the need to put in place policies that mitigate the impact on the poor, with cash transfers representing the preferred approach. Implementing or expanding targeted programs immediately prior to price reforms is especially important as it helps demonstrate the government's commitment to protecting the poor. Real-world country examples of a successful implementation of cash transfers include (Clements and others 2013):

- *Indonesia*. The government undertook two large fuel price increases in 2005. As a result, the price of diesel fuel doubled and that of kerosene nearly tripled. Unconditional cash transfers and other welfare programs were credited as an important reason for the reduced intensity of protests that the 2005 measures faced compared to previous reform attempts. The most high-profile program was a series of unconditional monthly cash transfer payments targeted at poor households and covered 35 percent of the population.

- *Iran*. In December 2010, the authorities substantially increased the prices of all major petroleum products and natural gas as well as electricity, water, and bread. In advance of the price adjustments, the government deposited cash transfers in new bank accounts and in equal amount for households, financed by the revenue from price increases. Part of the revenue was also allocated to enterprises to help reduce their energy intensity. Providing all households with equal transfers achieved redistributive effects. For the poor, who benefited little from cheap domestic energy prices, the compensation was large enough to lift virtually every Iranian out of poverty.

8. Other lessons from reform attempts around the world include (Clements and others 2013):

- *Information*. Designing a comprehensive subsidy reform strategy requires information on the likely impact of reforms on various stakeholders and the identification of measures to mitigate adverse impacts.

- *Communication and transparency.* A far-reaching communications campaign can help generate broad political and public support. Useful information to be disseminated includes: (a) the magnitude of subsidies and how they are funded; (b) the distribution of subsidy benefits across income groups; (c) changes in subsidy spending over time; and (d) the potential environmental and health benefits from subsidy reform.

- *Phasing in and sequencing*. Phasing in price increases and sequencing them differently across energy products may be desirable. The appropriate phasing in and sequencing will depend on a range of factors, including the magnitude of the price increases required, the fiscal position and the time needed to develop an effective communications strategy and scale up social safety nets.

- *Reforming SOEs*. Improving the efficiency of SOEs can reduce the fiscal burden of the energy sector. Energy producers often receive substantial budgetary resources to compensate for inefficiencies in production and revenue collection. Subsidy reform involving SOE restructuring requires temporary sector-specific social measures to support employees and enterprises.

- *Other compensatory measures*. When cash transfers are not feasible, other programs that can be expanded quickly can be leveraged while administrative capacity is developed. These include school meals, public works, reductions in education and health user fees, subsidized mass urban transport, and subsidies for consumption of water and electricity below a specified ed threshold.

References

Clements, Benedict, David Coady, Stefania Fabrizio, Sanjeev Gupta, Trevor Alleyne, and Carlo Sdralevich (editors). 2013. "Energy Subsidy Reform: Lessons and Implications". International Monetary Fund, Washington DC.

Coady, David, and Moataz El-Said. 2007. "Cameroon: Fiscal and Distributional Implications of Alternative Fuel Pricing Policies". Fiscal Affairs Department, International Monetary Fund.

Annex III. Fuel Pricing in Cameroon[1]

1. Cameroon's current fuel price stabilization mechanism is leading to a significant and rising wedge between fixed pump and market prices following the recent rise in international prices.[2] Super gasoline market prices increased by 59.0 percent (yoy) in June 2022 to reach CFAF1,131 per. At the same time, diesel prices increased by 75 percent to CFAF 1,111 (Figures 1 and 2).

2. Pump prices have remained fixed since 2016 and maintaining them at the same level has led to an unprecedent rise in the cost of fuel subsidies. Fuel subsidies could increase from CFAF1 59 billion (0.5 percent of GDP) in 2021 to reach about CFAF 765 billion in 2022 (2.9 percent of GDP) and CFAF 712 billion in 2023. These forecasts assume that (i) import parity prices remain at their April-June 2022 average, (ii) a 11.2 percent reduction in import parity prices in 2023 to reflect WEO projections on crude oil prices and (ii) a constant volume around 1.9 billion liters sold in the local market in 2022 and 2023 (Figures 3 and 4).

3. Under the current price structure, rising market prices however generate higher tax revenues. In 2022-23, the authorities expect to collect a total of CFAF476 billion in VAT, excises (TSPP), and custom duties from CFAF339 billion in 2021 as distributors pay taxes on market values and do not pass the higher taxes to consumers.

4. To estimate the sustainability of the current mechanism and following previous studies on Cameroon, we estimate under different scenarios its Net Fiscal Contribution (NFC).[3] The NFC is defined as the difference between taxes (VAT, customs, and excises) and producer and post-tax subsidies.

5. The status quo of no pass-through of changes in international prices to domestic retail prices appears unsustainable. At current prices, the NFC would turn negative (as subsidies exceed tax revenues) to reach CFAF 290 billion (-1.1 percent of GDP) in 2022 and CFAF 236 billion (-0.8 percent of GDP) in 2023 from a positive CFAF 180 billion in 2021 (0.7 percent of GDP) (Figures 3 and 4). Such elevated levels are unprecedented in Cameroon as subsidies have typically averaged 0.5 percent of GDP before the war in Ukraine in 2019-2021 (Figure 4).

6. The following scenarios are considered (Table 1 and Figures 5 and 6)**:**

- **Scenario 1 – No policy change.** Maintaining pump prices at their current level (630, 575 and 350 CFAF per liter for super gasoline, diesel, and kerosene, respectively) will cost 2.5 percent of GDP with an estimated negative NFC of CFAF 236 billion or -0.8 percent of GDP in 2023, which is

[1] Prepared by Du Prince Tchakoté (AFR).

[2] Retail prices are frozen at 630 Cfaf/L for gasoline, 575 Cfaf/L for diesel and 350 Cfaf/L for kerosene since January 2016. The consumption pattern of yearly 1.9 billion liter stands as follows: gasoline (40 percent), diesel (55 percent) and kerosene (5 percent).

[3] See IMF Country Report No. 19/247, Annex I.

quite an unsustainable position since the authorities will need to budget CFAF 712 billion to subsidize fuel consumption. As a reference, the country's domestically financed investment was lower at CFAF615 billion in 2022 and the wage bill was about CFAF1,100 billion in 2022.

- **Scenario 2 – Full pass-through of changes in international prices.** A full pass-through of international prices would be reached at the cost of a 64 percent across-the-board increase in fuel prices. This means increasing pump prices to 1,033, 943 and 574 CFAF per liter on average for super gasoline, diesel, and kerosene. Given the current tense socio-economic situation, and insufficient safety nets such a steep rise in pump prices will likely face stiff opposition from the public.

- **Scenario 3 – Break-Even NFC.** The NFC that would equate tax revenues with subsidies would be obtained at a cost of across-the-board 21 percent increase in fuel prices to 764, 697 and 424 CFAF per liter for super gasoline, diesel, and kerosene. In this scenario, subsidies decrease to CFAF 476 billion, still high at 1.7 percent of GDP but lower than the CFAF 712 billion cost in the No Policy scenario. A less than 21 percent price increase would lead to negative NFC given the resulting higher fuel subsidies.

- **Scenario 4 – Bringing subsidies back to their pre-war in Ukraine levels.** This scenario would target a level of subsidies of 0.5 percent GDP. Simulation results indicate that this scenario, given the current high international oil prices, would lead to a high increase in pump prices of 51 percent. This increase, although lower than that obtained under the full pass-through scenario (64 percent) would most probably face similar opposition from the public.

- **Scenario 5 – Replication of the July 2014 increase at 15 percent.** Under this scenario, fuel subsidies are still high at CFAF 545 billion or 1.9 percent of GDP (four times the levels before the war in Ukraine level and 0.2 percent of GDP higher than NFC breakeven). NFC will remain in a negative territory at -0.2 percent of GDP with strain on the Treasury's cash management.

7. The scenarios above do not consider differentiated price increases which may prove useful to cushion the impact of reform on vulnerable households. Indeed, price increase for super gasoline (40 percent of total consumption) could be higher than other fuel products as it is used mostly for personal cars. In contrast, diesel (55 percent of total) is used by industries and the transport sector in Cameroon, while the poorest households rely on kerosene (5 percent of total).

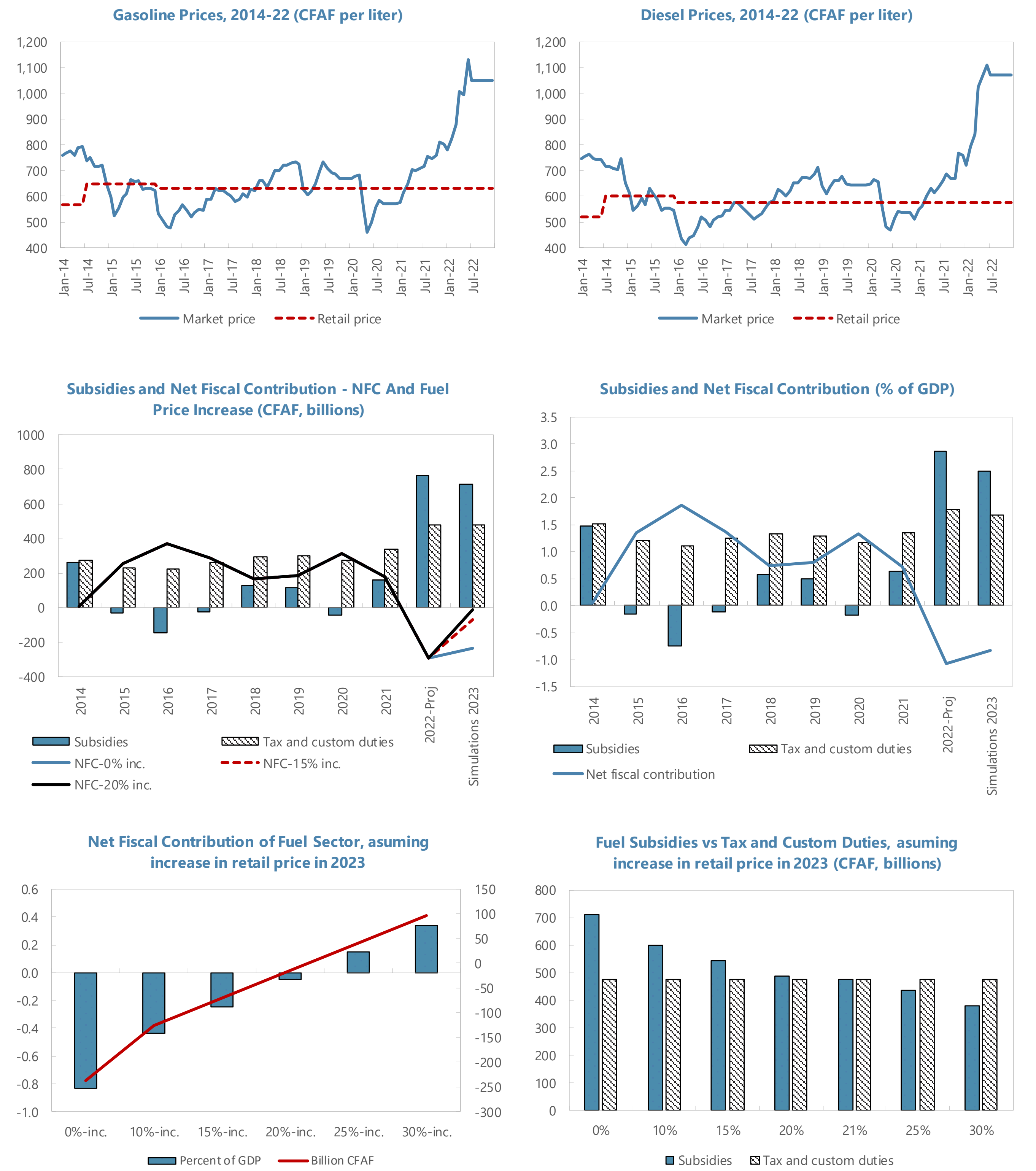
8. Several countries in SSA are taking measures to reduce subsidies through higher pump prices differentiated by the type of fuel product. Super gasoline was recently increased to CFAF890 (from 775) per liter in Senegal and CFAF 735 (from 695) per liter in Côte d'Ivoire. Diesel was kept unchanged at CFAF695 per liter in Côte d'Ivoire and CFAF655 per liter in Senegal.

9. Differentiated Price increase. Under this scenario, the increase in the price of super gasoline would be higher than the one of diesel and, to a lesser extent, kerosene. The optimal price increases for each fuel product would need to be consistent with one of the targets under Scenarios 2-4 above.

10. In addition to increases in pump prices, revisiting the price structure could lead to fiscal and other cost-saving measures. The 2020 fuel pricing reform introduced quarterly auctions to select a unique international trader to supply the domestic market. This reform has helped significantly reduce the premium charged on imports. The authorities had agreed to revisit the price structure to identify other sources of economies to reduce fuel subsidies. In 2022 and as a one-off measure, the authorities kept the reference oil prices used to calculate taxes in the price structure unchanged at their budget level, not reflecting higher international prices, thus resulting in a lower wedge between market and pump prices and lowering the cost of subsidies by CFAF 120 billion. Such a measure, if permanent, could however challenge tax predictability.

11. The price structure includes a dedicated line used for two purposes: (i) equalization and (ii) subsidies to LPG consumers. The ''Equalization Line'' in the current pricing structure amounts to 46 CFAF per liter of super gasoline and diesel, and 31 CFAF per liter of kerosene. It yields around 85 billion CFAF per year, around half of which is paid to transporters to keep unique fuel prices in the 10 regional capitals of the country (equalization function) and another half in subsidies to LPG which is consumed by the poor as main substitute to firewood.

Figure 1. Cameroon: Fuel Price Structure and Mechanisms



Sources: IMF Staff Calculations

Table1: Cameroon: Fuel Price Structure and Alternative Scenario 2021-23

(CFAF per liter, unless otherwise indicated)

	2021			2022			2023														
							Scenario 1: No policy			Scenario 2: Full pass-throuh			Scenario 3: Breakeven NFC (=0)			Scenario 4: Subsidies at 0.5% GDP			Scenario 5: Replicate 2014 price increase		
	Gaso - line	Kero-sene	Diesel	Gaso - line	Kero-sene	Diesel	Gaso - line	Kero-sene	Diesel	Gaso - line	Kero-sene	Diesel	Gaso - line	Kero-sene	Diesel	Gaso - line	Kero-sene	Diesel	Gaso - line	Kero-sene	Diesel
1-Import prices	265	259	260	458	524	496	407	524	496	407	524	496	407	524	496	407	524	496	407	524	496
2-SONARA mark-up	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48	48
3-Taxes	214	63	167	278	74	247	259	74	247	259	74	247	259	74	247	259	74	247	259	74	247
VAT & customs	104	63	102	168	74	182	149	74	182	149	74	182	149	74	182	149	74	182	149	74	182
TSPP	110	0	65	110	0	65	110	0	65	110	0	65	110	0	65	110	0	65	110	0	65
4-Other fees and charges	185	151	176	209	185	209	209	185	209	209	185	209	209	185	209	209	185	209	209	185	209
5-Theoretical retail prices	712	522	651	993	831	1,000	923	831	1,000	923	831	1,000	923	831	1,000	923	831	1,000	923	831	1,000
6-Subsidies	82	172	76	363	481	425	293	481	425	-110	257	57	159	407	302	-29	302	130	198	429	338
7-Pump prices	630	350	575	630	350	575	630	350	575	1,033	574	943	764	424	697	952	529	869	725	403	661
Memo items																					
In million liters																					
Volume sold	731	97	1,048	760	95	1,045	760	95	1,045	760	95	1,045	760	95	1,045	760	95	1,045	760	95	1,045
Volume sold (all products)		1,877			1,900			1,900			1,900			1,900			1,900				
In CFAF per liter																					
Net Fiscal Contribution (NFC)[1/]	132	-109	91	-85	-407	-178	-34	-407	-178	369	-183	190	100	-333	-56	288	-228	116	60	-355	-92
Change in pump prices	0	0	0	0	0	0	0	0	0	403	224	368	134	74	122	322	179	294	95	52	86
In percent																					
Change in pump prices	0	0	0	0	0	0	0	0	0	64	64	64	21	21	21	51	51	51	15	15	15
In billion CFAF (all products)																					
Taxes		339			476			476			476			476			476			476	
Subsidies		159			765			712			0			476			142			545	
NFC		180			-290			-236			476			0			333			-69	
In percent of GDP (all products)																					
Taxes		1.4			1.8			1.7			1.7			1.7			1.7			1.7	
Subsidies		0.6			2.9			2.5			0.0			1.7			0.5			1.9	
NFC		0.7			-1.1			-0.8			1.7			0.0			1.2			-0.2	

1/ Net Fiscal contribution stands for taxes collected (VAT, custom duties and Special tax on petroleum products - TSPP), minus subsidies granted to keep the retail price at certain level.

Sources: Cameroonian authorities; Staff calculations and estimates.

Annex IV. 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, and Cameroon has since experienced four waves of infections.** During the first wave, weekly confirmed infection cases peaked in June 2020 and then declined gradually up to November 2020. The most recent wave, the fourth, peaked during the first two weeks of January 2022. Since then, the number of new infections appears to be receding progressively. All the 10 regions in Cameroon have been affected, with more males infected than females overall (Figure 1). Several strains have been detected in Cameroon by the Cameroonian Center for Research on Emerging Diseases. On January 17, 2022, the Pasteur Institute of Dakar confirmed the presence of the Omicron variant in Cameroon. As of June 7, 2022, there have been 120 028 confirmed cases of COVID-19 with 1931 deaths, reported to the WHO (World Health Organization).

B. Government's Response to Prevent the Spread of the Virus

1. **On March 17, 2020, the government announced a package of 13 containment** measures, including 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. Additional measures to limit the spread of COVID-19 were taken by the government on April 10, 2020, including wearing a mask in all areas open to the public, local production of anti-COVID drugs, establishment of specialized treatment centers in all regional capitals, and intensification of screening tests and the awareness campaign.

2. **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 taxis.) was also relaxed, but masks remained compulsory, and overloading was prohibited.

3. **Since July 2020, the authorities have been following a decentralized approach that relies on health districts and regions.** The approach is focuses on monitoring infection cases, increasing local testing, reinforcing screening for all travelers to Cameroon, and strengthening the capacity of the health services. They opted not to re-impose confinement but to enforce social distancing measures, increase testing, and strengthen treatment capacities. Schools were reopened in June and COVID-19 screenings for all travelers landing in Cameroon was enforced. However,

mobility across borders remains restrained as a few lands crossing points continue to be shut off to traffic or were only partially operational to enable trade.

2. Vaccination rates have remained low, despite efforts to accelerate awareness. As of June 7, 2022, Cameroon had received 1.5 million doses of the Johnson & Johnson vaccine, 1.2 million doses of Sinopharm, 596 460 of AstraZeneca, and 152,100 doses of Pfizer. As of, June 7, 2022, 8.6 percent of the eligible population was fully vaccinated, and 11.1 percent had received one dose. Additionally, 23.9 percent of the healthcare personnel is fully vaccinated. In February, the Ministry of Public Health announced a new intensive COVID-19 vaccination campaign for March 16-20, 2022.

C. Economic Measures to Mitigate the Impact of the Pandemic

4. 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.

5. Measures were also taken to alleviate the impact of the pandemic 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.

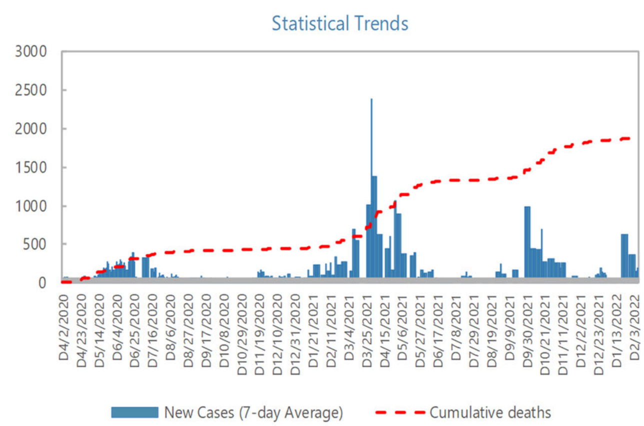
6. Alongside these short-term measures, the authorities adopted a three-year Preparedness and Response Plan, which would require total financing close to US$ 825 million. The plan includes five pillars, namely: (i) health strategy to prevent the spread of the pandemic and take care of infected persons (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 COVID-19 pandemic on vulnerable people and households (US$52 million).

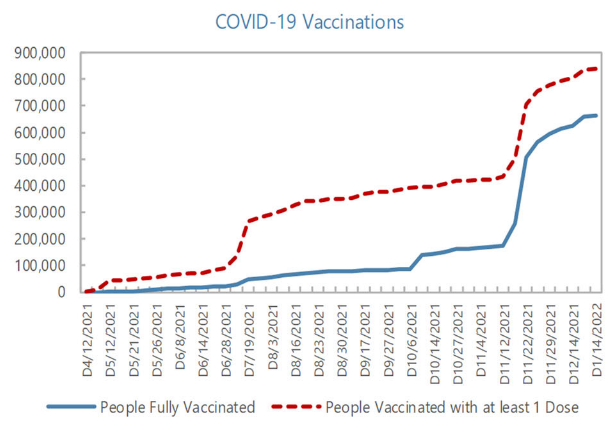
7. A special COVID-19 account, dedicated to financing the national response plan to the pandemic, was created, and is governed by a circular issued by the Minister of Finance. The circular specifies the modalities of organization, operation, and monitoring-evaluation mechanisms of the account. For 2020, the Revised Budget Law enacted in June 2020 allocated close to US$310 million to the special COVID-19 account financed at 76 percent by external budgetary support and resources released by debt service suspension. The 2021 Revised Finance Law enacted allocates close to US$363 million to the special COVID-19 account, of which US$148 million for vaccination. The proposed 2022 Finance Law allocates US$218 million for COVID-19 related spending.

D. Vaccination

8. Cameroon has adopted a national vaccine readiness and deployment plan, prepared under the guidance of the United Nations country team. As of January 5, 2022, Cameroon has received 1.4 million doses of the Johnson & Johnson vaccine, 1.2 million doses of Sinopharm, 589,600 of AstraZeneca, and 152,100 doses of Pfizer. Some doses have, however, expired since. Cameroon aims to vaccinate 60 percent of the eligible population (+18 years old) by 2023. As of January 19th, 2022, 6.3 percent of the eligible population fully vaccinated, and 2.8 percent received one dose. Additionally, 43.7 percent of healthcare personnel is fully vaccinated.

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





Covid-19 Statistics by Region

	Confirmed Cases	Deaths			Recoveries
	Cumulative	Cumulative	Fatality Rate (%)	Proportion of Deaths (%)	Cumulative
Adamaoua	4003	57	1.4	3.0	3791
Centre	35506	502	1.4	26.7	35800
Est	5308	82	1.5	4.4	5103
Extrême-Nord	2597	60	2.3	3.2	2396
Littoral	32995	366	1.1	19.5	32454
Nord	2088	42	2.0	2.2	1854
Nord-Ouest	11232	351	3.1	18.7	10779
Ouest	11415	263	2.3	14.0	11004
Sud	5447	70	1.3	3.7	5256
Sud-Ouest	5127	87	1.7	4.6	4962
Total	**115718**	**1880**	**1.6**	**100**	**113399**

Regional Distribution of Cases

Sources: Country Authorities; WHO

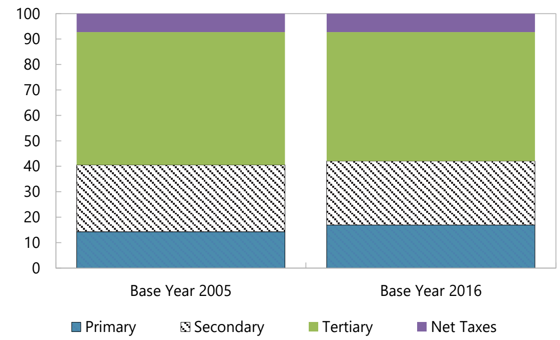
Annex V. Follow-up on Commitments Under RCF-1 and RCF-2, as of end-December 2021

RCF-1 (May 4, 2020) and RCF-2 (October 20, 2020) **Commitments**	***Status***
(i) Issue a semi-annual report on COVID-19 related spending.	**Met.** A report on COVID-19 related spending for the period March-December 2020 has been published. https://www.dgb.cm/news/consult-the-implementation-report-of-national-solidarity-fund-for-the-fight-against-coronavirus-and-its-economic-and-social-repercussions/
(ii) Commission an independent audit of this spending at the end of FY2020 and publish the results.	**Met.** An audit prepared by the Audit Bench of the Supreme Court (Chambre des Comptes) of FY2020 expenses related to COVID-19 has been published. http://www.minfi.gov.cm/wp-content/uploads/2021/11/RAPPORT_D_AUDIT_FONDS_COVID_19.pdf http://www.minfi.gov.cm/rapport-daudit-fonds-covid-19/
(iii) Issue before the RCF-2 Board date a circular implementing Article 90 of the Public Procurement Code to modify the standard procurement forms, in particular with regard to documents providing information on the identification of the beneficial ownership of companies receiving procurement contracts.	**Met.** A circular implementing Article 90 of the Public Procurement Code to modify the standard procurement forms has been published. https://www.armp.cm/details?type_publication=COMM&id_publication=12894
(iv) 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.	**Met.** The authorities have published information about the contracts the government awarded from October 20, 2020, to end-December 2021, including the names of the companies' actual owners (beneficial owners). https://www.armp.cm/

Annex VI. National Accounts Revision

1. Cameroon, supported by IMF TA, recently modernized its national accounts compilation by updating its base year from 2005 to 2016. The rebasing aimed to reflect, among other developments, structural changes in the economy, including changes in product prices, the appearance of new products, activities, and operators and changes to the relative weights of certain branches of the economy. This work has benefited from five TA missions from the IMF Regional Technical Assistance Center for Central Africa (AFRITAC Central) since December 2018.

Figure 1. Cameroon GDP Structure
(Average 2010-2020, In percent)

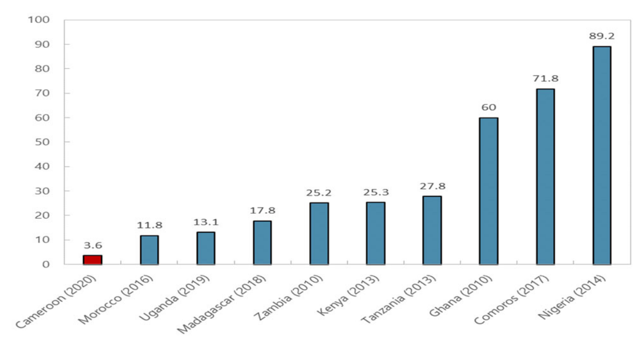


Sources: Cameroonian authorities and IMF staff.

2. This rebasing and the change in the structure of the economy is predicated in particular on the use of several new data sources, including the household final consumption survey (ECAM 2001, 2007 and 2014) for the new base year 2016, the integration of the results of the general business census (RGE 2016), surveys on employment and the informal sector (EESI 2005 and 2010), statistical and tax declarations (DSF 2016) of businesses, the 2016 balance of payments prepared according to the new BPM 6 manual. Additional structural surveys were used to improve the quality of the rebased GDP, in particular surveys on trade and transport margins, informal transport (motorcycles and taxis), accommodation, the timber sector (informal) and the structure of intermediate consumption.

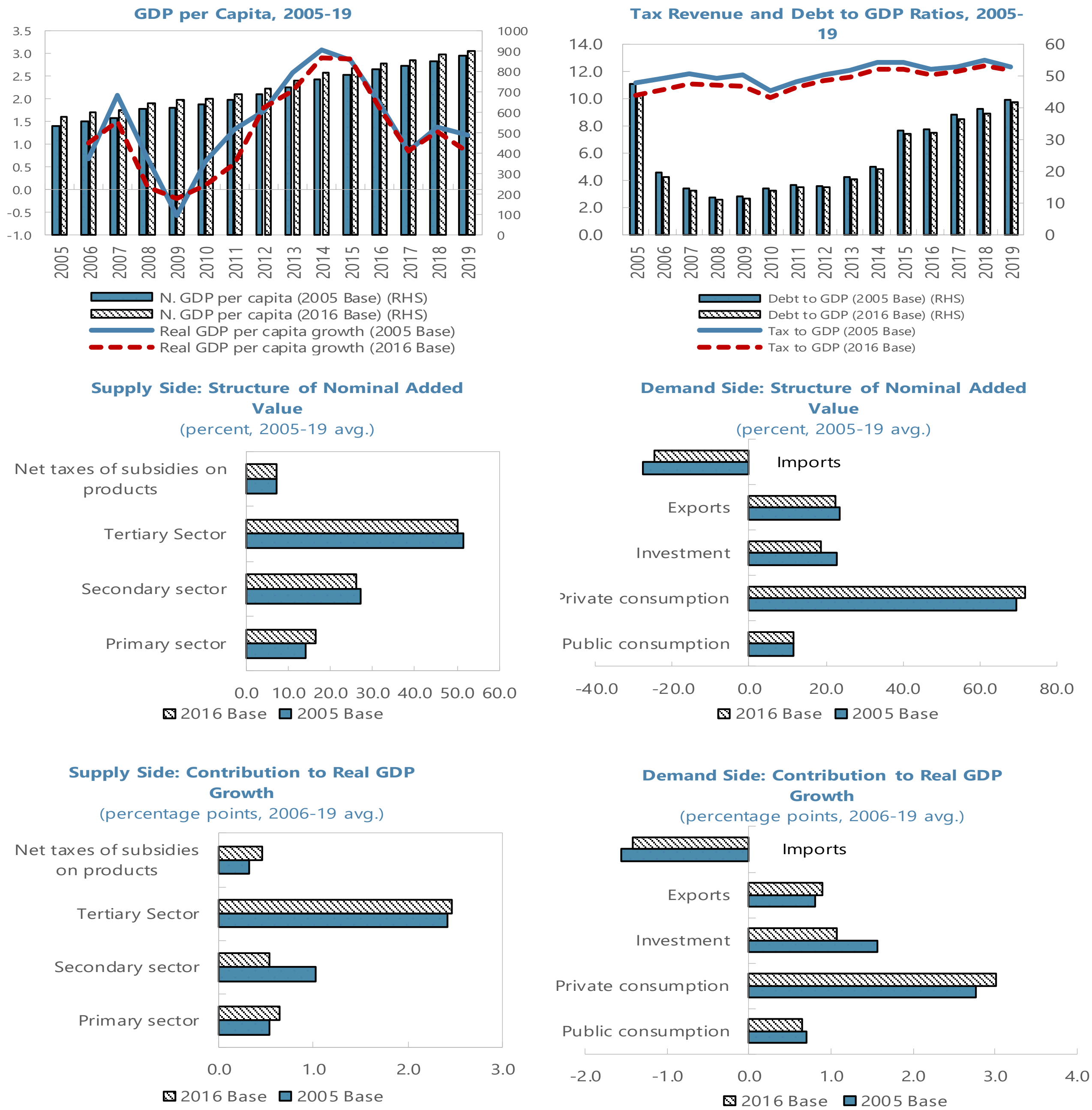
3. This update resulted in an upward revision of 3.6 percent to nominal GDP in 2016. Like the 2005 rebasing, where the increase was 8.6 percent, this revision was significantly lower than that of comparator countries in the region (Figure 2).

Figure 2. Cameroon: Average Size of Nominal GDP Revision



4. However, significant changes are observed in the structure of value added and the sectorial contribution of the informal sector. This revision is driven by an increase in agriculture and industry contributions (3.3 and 0.9 percent, respectively), while the tertiary sector's contribution decreased. Besides the nominal GDP increase, the revised series suggests higher informal GDP, with an upward revision from 37.8 percent under the 2005 base year to 42 percent under the 2016 base year. Rebased GDP series lowered the tax to revenue ratio by 41 basis points to 13.2 percent in 2020.

Figure 3. Cameroon: Rebasing of National Accounts



Sources: Country Authorities and IMF Staff Estimates

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

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

A. Recent Technical Assistance and Perspectives

1. The Capacity Development (CD) activities in Cameroon —through technical assistance (TA) from both Fund headquarters and the Central Africa Regional Technical Assistance Center (AFRITAC Center)—continue to be frequent. They have focused 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, and implementation of the current ECF-EFF program.

2. Capacity building will continue to focus on supporting the authorities' economic reform strategy for 2021-23, consolidating past achievements, while making progress in new areas. The CEMAC Commission has defined a set of reforms which will underpin Fund-supported programs with CEMAC members and organized around five pillars to create the basis for a more diversified, inclusive and a private sector-led growth, and enhanced governance of the public sector. Building on past TA provided to Cameroon, the CD strategy will 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. In addition, going forward, Cameroon is likely to need increasing assistance in governance and anti-corruption efforts and building resilience to climate change, as well as in formulating an effective financial inclusion strategy. This work will dovetail with assistance being provided by other institutions and bilateral donors.

Authorities' Views

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

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

Annex VIII. Cameroon's Development Strategy

1. Cameroon's National Development Strategy for 2020-2030 (SND-30), constitutes the reference framework for the implementation of the second phase of Vision 2035. The overall objective of the Vision 2035 is to make Cameroon an emerging economy country over 25-30 years. The National Development Strategy 2020–2030 (SND30) adopted in January 2020, is the second phase of the strategy and follows on from the Growth and Employment Strategy Paper (GESP), which provided orientations for the first ten years of the implementation of actions toward achieving the Vision.

2. In the context of SND-30, Cameroon aims to achieve its objectives using a mix of local production of imported goods and export promotion. The GESP emphasized that Cameroon could not envisage its industrialization relying solely on domestic markets. The authorities also aim to facilitate the emergence of the private sector as the main driver of economic growth, with targeted public interventions in highly strategic sectors, using the public procurement lever, while promoting the emergence of national champions in the sectors leading to structural transformation.

3. The SND-30 intends to achieve a structural transformation of the economy by making fundamental changes in economic and social structures to promote endogenous, inclusive development, while preserving the potential for future generations. Specifically, the strategy aims to:

- Put in place conditions favorable to strong and durable economic growth and the structural changes essential for the industrialization of the country. Targets include raising the annual growth rate to 8.1 percent on average over 2020-2030, raising growth in the secondary sector (excluding oil) to more than 8 percent in the medium term, and reducing the trade balance deficit to 3 percent of GDP in 2030.

- Improve the living conditions of Cameroon's populations and their access to basic social services by ensuring a significant reduction in poverty and underemployment. Targets include: (i) lower the poverty rate to less than 25 percent in 2030; (ii) lower underemployment to less than 50 percent in 2030; (iii) to raise the Human Capital Index from 0.39 in 2018 to 0.55 and the Human Development Index to 0.70 in 2030.

- Strengthen measures to adapt and mitigate the effects of climate change and environmental management to ensure sustainable economic growth and sustainable and inclusive social development.

- Improve governance to strengthen the ability to achieve development goals. This will include actions to improve the functioning of the institutions and accelerate decentralization.

4. The achievement of these objectives is based on eight guiding principles: i) maintaining macroeconomic stability; ii) clear and unambiguous articulation of the hierarchy of the various sectoral, thematic and spatial tools; iii) attention to harmony, balance and fairness across the territory; iv) development planning in the context of decentralization; v) integration of actions for catch-up for in areas affected by the social and security crises; vi) unity in diversity and the improvement of relations between the state and citizens; (vii) strengthening the strategic management of the State, and creating the conditions optimal for the private sector to take its full place and play a driving role in the economy; viii) taking account of international commitments, while contextualizing them.

5. **The authorities have drawn up a plan to support the production of mass consumption goods that affect the trade balance** (rice, fish, maize, and milk). The plan benefits from an endowment of 30 billion CFAF under the 2021 budget to support producers of identified goods. In addition, tax and customs measures have been taken to promote second-generation agriculture, foster the construction of agri-food factories, supporting livestock farming and supply.

6. **The strategy also aims to finalize ongoing infrastructure projects and to commission new work.** Ongoing projects include the Lom Pangar dam, at the Memve'ele hydroelectric dam, and a drinking water supply project in Yaoundé and its surroundings, etc. The authorities plan to promote the “made in Cameroon” label in priority sectors (agro-industry, wood, textiles, mining and metallurgy, and the pharmaceutical and biomedical industries). They also plan to set up economic zones to promote the emergence of national champions, and to strengthen fiscal and customs incentives aimed at supporting imports of tools and production equipment, while facilitating the export of finished products. Another priority is research, development, and innovation to encourage technological catch-up and promote standards. Also included is a plan to develop artistic cultural and creative activities to promote cultural heritage and develop the film industry.

Appendix I. Letter of Intent

Yaoundé, July 13, 2022

Madam Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. USA

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

Dear Madam Managing Director,

1. The Government of Cameroon is continuing to implement its 2021-24 Economic and Financial Program supported by the International Monetary Fund's Extended Credit Facility (ECF) and Extended Fund Facility (EFF) in a difficult health, economic and security context that has now been further exacerbated by the conflict in Ukraine. To support efforts to deal with its balance of payments needs and contribute to the rebuilding of the regional foreign exchange reserves, the government has adopted an economic recovery program. The program is in line with the regional economic and financial reform program (PREF-CEMAC), which is one of the commitments included in the final communiqué of the Extraordinary Summit of CEMAC Heads of State held in Yaoundé on November 21, 2019, and reiterated during the summit held on August 18, 2021.

2. The coronavirus (COVID-19) pandemic that began in 2020 in a difficult security context resulted in a significant deterioration of economic and social conditions in Cameroon in 2020 and continued to severely impact some sectors in 2021. Economic activity begun to recover in 2021 but the recovery has now been pushed back by spillovers from the conflict in Ukraine, especially the surge in global prices and the slowdown in growth in the major economies. The outlook remains positive, but clouded by considerable uncertainty, notably on the duration of the conflict.

3. Cameroon's macroeconomic performance under the ECF and EFF arrangements has been broadly satisfactory, and progress on the structural side has picked up. All the periodic quantitative criteria for end-December 2021 were met. All the indicative targets for end-December 2021 and end-March 2022 were also met except the ceilings on direct intervention of SNH and the share of spending executed through exceptional procedures for both dates and the ceiling on the accumulation of domestic arrears at end-December 2021. The two continuous performance criteria on external arrears and on external borrowing were also met. The government has strong expectations that the end-June quantitative targets will also be met. Similarly, the structural reform program is progressing but with some delays as only three of the nine benchmarks due between January and June 2022 were met and a fourth met with some delay; the remainder are in progress and the date for their completion has been rescheduled.

4. The government will continue to implement policies consistent with regional external stability, which requires the rebuilding of the BEAC foreign exchange reserves. In this context, the government supports the efforts of the BEAC and COBAC to strictly enforce the new foreign exchange regulations. To achieve the foreign exchange reserve targets, the government will ensure that obligations to repatriate export proceeds, particularly oil revenues, are respected.

5. The government welcomed the SDR allocation made available to Cameroon by the IMF in August 2021. This is being used to mitigate the socioeconomic impact of the crisis while protecting the CEMAC foreign exchange reserve targets. We have therefore used CFAF 50 billion in 2021 and, as envisaged, CFAF 70 billion in 2022, bringing the total amount used in 2022 to 57 percent of the total allocation.

6. The attached Memorandum of Economic and Financial Policies (MEFP) supplements the memoranda of February 4, 2022, and of July 15, 2021. It describes the economic and financial situation in 2021 and 2022, outlines the economic and financial policies that the government intends to implement in 2022, and defines the quantitative criteria, indicative targets, and structural benchmarks through end-2022.

7. The government requests that the IMF Executive Board approve changes to the program targets for end-December 2022 in line with the updated macroeconomic projections. As data on the performance criteria for June 2022 will not be known before the Executive Board meeting scheduled in July 2022, we are also requesting waivers of applicability for the performance criteria for end-June 2022.

8. Taking into account the achievements under the program to date and the commitments presented in the MEFP, the government is requesting the conclusion of the second review of the agreement under the ECF-EFF supported arrangements and the disbursement and purchase of 18.4 million SDRs and 36.8 million SDRs respectively.

9. The government is convinced that the policies and measures set out in the MEFP are adequate to achieve the program targets and will is committed to take any additional measures required to this end. The Cameroonian authorities will consult with the IMF on any such additional measures before proceeding with the revision of any measures included in the MEFP in accordance with the IMF policy on such consultations. To facilitate program monitoring and evaluation, the government undertakes to report all required information to the staff of the IMF by the prescribed deadlines in accordance with the attached Technical Memorandum of Understanding (TMU).

10. Finally, the government agrees to the publication of this letter, the MEFP, the TMU and the IMF staff report on this program.

Sincerely yours,

/s/

Joseph Dion Ngute

Prime Minister, Head of Government

Attachments:

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

Attachment I. Supplementary Memorandum of Economic and Financial Policies, 2021-2022 July 2022

INTRODUCTION

1. The adverse effects of the COVID-19 pandemic and the difficult security context on the economic and social situation in Cameroon have been exacerbated by the conflict in Ukraine. The nascent economic recovery from mid-2021, supported by higher oil prices and non-oil production, is now subject to greater uncertainties in a context of damaging spillovers from the conflict in Ukraine, notably high inflationary pressures, especially for food staples and fuel, and a tightening of global financial conditions. Even so, the outlook for the near term remains positive despite the large uncertainties especially regarding the duration of the conflict. The low vaccination rates also leave the country vulnerable to further COVID-19 waves.

2. The government remains committed to restoring strong, sustained, and inclusive economic growth, to a structural transformation of the economy, and to strengthening Cameroon's economic and social resilience in keeping with the SND-30. Based on the assumption that COVID-19 will gradually start to wane in 2022, Cameroon's economic recovery that begun in 2021 is expected to consolidate and lead to a nonoil growth rate of over 5 percent starting in 2025. The government's objective through the medium term is to accelerate the country's growth to situate it as an emerging economy. Maintaining macroeconomic stability remains a prerequisite, curbing the impact of the pandemic and spillovers from the conflict in Ukraine. Meeting the objective will also require a structural transformation of the economy. This entails accelerating the policy of import-substitution to strengthen the country's resilience to external shocks; completing major infrastructure projects; and supporting sectors that would benefit the whole economy, especially those generating immediate and sustainable domestic spillovers.

3. The SND-30 and the post-COVID-19 Economic Support and Recovery Plan, adopted in 2020, constitute the framework for the strategic priorities. Under the ECF and EFF arrangements, they will also constitute the backbone of a poverty reduction and growth strategy through end-2022. Our economic program 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. After the slowdown observed in 2020, economic growth is estimated at 3.6% in 2021, but it remained disrupted by the security crisis in certain regions of the country and the health context. Domestic and external demand gradually started to recover from 2020 due to the recovery of the global economy due to the gradual lifting of restrictive measures, as well as the recovery in oil prices. However, pressures related to supply disruptions started to appear in the last quarter of 2021 and were further exacerbated by the conflict in Ukraine. World prices have risen sharply, particularly those of wheat, clinker, rice, and refined petroleum products. Despite the measures taken by the government, year-on-year inflation reached 4.7% in March 2022 primarily because of higher prices for food staples.

5. **Budget execution in 2021 was satisfactory and consistent with the budget.** The fiscal deficit on a payment order basis including grants through end-December 2021 was 2.4 percent of GDP, broadly in line with the budget objectives. The increase in oil revenues was modestly below expectations but was more than compensated for by relatively strong non-oil revenues and by expenditure restraint.

6. **The external current account deficit widened from 3.7% of GDP in 2020 to 4% of GDP in 2021.** This was mainly due to widening deficits for services and primary income. The services deficit deteriorated mainly because of transport payments (especially for maritime freight). The external deficit was mainly financed by financial capital flows (official and unofficial).

7. **Money supply increased by 17% in 2021 year-on-year.** This growth is mainly underpinned by net credit from the banking system to the central administration, which rose 24.4% in 2021. At the same time, net credit to the economy and net foreign assets increased respectively by 12.3% and 11.4%.

8. **Public sector debt remains under control, though rising slightly in 2021.** The stock of public sector debt at end-2021 reached 45.0% of GDP[1], an increase of 0.9 percentage points GDP compared to end-2020. This increase was mainly due to: (i) disbursements of budget support under the new Economic and Financial Program (PEF 2021-2024) with the IMF and the World Bank; (ii) the inclusion of new domestic debt agreements to cover the floating debt, (iii) more pronounced issues of public securities, in particular the Eurobond, (iv) and the depreciation of the euro, and by extension CFAF, versus the US dollar. External public debt, including unsecured debt of public enterprises, reached 31.9% of GDP at end-2021, a rise of 1.1 percentage points of GDP from end-2020. New non-concessional project loans signed in 2021 were 696.3 billion CFAF, (including 449.3 billion CFAF Eurobond, 54.8 billion CFAF in short-term loans, and 192.2 billion CFAF of project loans) versus 750 billion CFAF provided for in the 2021 budget. Thus, the accumulation of new commitments on project loans was 1,402.6 billion CFAF. The cumulative external disbursements in 2021 were 1,163 billion CFAF, (including 447 billion CFAF on project loans). Debt service paid during 2021 amounted to 1,029 billion CFAF, including 737 billion CFAF for external debt and 292 billion CFAF for domestic debt, excluding unpaid balances. Under the DSSI, Cameroon benefited from a debt rescheduling of CFAF 163.9 billion.

IMPLEMENTATION OF THE ECONOMIC AND FINANCIAL PROGRAM

9. **The quantitative performance of the program at end-December 2021 was satisfactory overall.** All the periodic performance criteria at the end of December 2021 were met. However,

[1] IMF staff estimate for Cameroon's public debt as of end-2021 is 45.5 percent of GDP.

three of the five indicative targets were not met. Expenditure relating to the direct interventions of the National Hydrocarbons Company (SNH) exceeded the ceiling (by 145 billion CFAF, and stood at 223.7 billion CFAF, or 0.82% of GDP), but the trend remains downwards. The net accumulation of domestic payment arrears was -37 billion CFAF, above the ceiling of -81 billion CFAF, following the increased fuel subsidies subsequent to the rise in global oil prices. Expenditure using exceptional procedures, although falling, exceeded the target by 2.8 percentage points, standing at 7.8% of authorized expenditure, mainly due to security problems in the North-West, South-West and Far-North regions.

10. For 2022, all indicative program targets at end-March were met, except for two based on provisional data. Expenditure relating to the direct interventions of the National Hydrocarbons Company (SNH) exceeded the target (by 40 billion CFAF and stood at 49.2 billion CFAF), though the trend remains downward. Expenditures using exceptional procedures also exceeded the target, by 9.8 percentage points, largely because of the introduction of the new budget classification that temporarily caused complications.

11. Implementation of structural benchmarks is progressing but with some delays. Of the nine structural benchmarks due for completion between January and June 2022, three were met by the due date and a fourth was met with some delay: (i) the authorities have strengthened the format of consultations between the public and private sectors by creating thematic groups that meeting at least every six months to monitor the implementation of the recommendations of the Cameroon Business Forum (structural benchmark for March 2022); (ii) the government has also finalized the diagnostic study of the public administration pension system, as well as recommendations for its improvement (structural benchmark for May 2022); and (iii) the execution report of expenses related to COVID-19 and executed during the 2021 budget year was finalized and published (structural benchmark for June 2022). A fourth measure was implemented with some delay: the government has published the circular n° 4918/MINFI institutionalizing governance by program contract to improve the performance of public enterprises (structural benchmark for June 2022 completed in July 2022). These contracts and their evaluation reports will be regularly published on the official website of MINFI.

12. The completion of five remaining structural benchmarks that were initially due by end-June 2022 has been postponed.

- The implementation texts of the 2016 Mining Code had been finalized but the law needs to be revised to reflect the creation in December 2020 of the state enterprise, SONAMINE, responsible for the state's interests in the mining sector (structural benchmark for March 2022 postponed to March 2023).

- The accounts of public entities have been inventoried but have yet to be transferred to the Treasury Single Account at the BEAC, once the IT platform at the BEAC has been completed (structural benchmark for June 2022 postponed to December 2022).

The inventory of debts at the end of 2020 between the public enterprises and the State and between the state enterprises themselves that will then provide the basis for a plan to clear these debts is partially complete. The inventory of debt between the public enterprises and the government was finalized in May 2022, but the inventory of debts between public enterprises is expected to take longer (structural benchmark for June 2022 postponed to end-December 2022).

- The managers of the Caisse des Dépôts et Consignations have not yet been named. The process for appointing them is underway (structural benchmark for June 2022 postponed to December 2022).

- The work on the diagnostic studies of the three large public enterprises is progressing (structural benchmark for June 2022 postponed to December 2022). The diagnostic report for the Autonomous Port of Douala (PAD) was finalized in May 2022 and the final report will be available at the end of July 2022. The diagnostic report for CAMTEL will be available in June 2022 and the final report at end August 2022. The diagnostic study for CAMWATER is in the process of being contracted and will be finalized by the end of November 2022, insofar as the signing of the related contract can take place before August 2022.

ECONOMIC AND FINANCIAL PROGRAM FOR 2022 AND THE MEDIUM TERM

A. Macroeconomic Framework

13. **The outlook for economic growth remains positive, although subject to some uncertainty.** On the assumption that the pandemic will gradually wane, the recovery of economic growth, that began in 2021 under the impetus of the nonoil sector, is expected to reach 4.6 percent in 2023. The average annual growth of the oil sector from 2022 to 2026 will be close to zero, as increasing gas production merely offsets the depletion of oil fields. Inflation is expected to rise at least until the second half of 2022 as high import costs feed through to domestic prices and average inflation in 2022 is expected to reach 4.6%.

14. **Fiscal policy over 2022-24 will remain focused on gradual fiscal consolidation with a view to ensuring medium- and long-term sustainability of public finances and to guaranteeing the sound implementation of SND 30 in accordance with the economic program and agreement concluded with the IMF.** To this end, a particular emphasis will be placed on mobilizing non-oil domestic revenue, as well as on controlling and improving public expenditure to reduce the overall budget deficit (payment order basis, including grants) from 2.4% in 2021 to 1.9% in 2022, and then to 0.2% in 2023 and 0.3% in 2024. To this end, we will develop a medium-term revenue strategy, supported by IMF technical assistance, which will cover both tax administration and tax policy. In this context, public action during this period will be oriented towards implementing the economic recovery plan, the health response (with particular emphasis on the vaccination campaign), reconstructing the regions affected by the security crises (far north, north-

west and south-west), strengthening the decentralization process, implementing Universal Health Coverage, and strengthening social safety nets.

15. Supply disruptions and sharp price increases pose a threat to the vulnerable as well as to economic activity. This highlights the urgency of diversifying the economy and developing affordable and well-targeted mechanisms to protect the vulnerable. The government is committed to work towards expanding social safety nets. To this end, the government will accelerate the introduction of the conditional cash transfer mechanism to the most vulnerable households, in cooperation with the World Bank. It envisages gradually reducing fuel subsidies, which are poorly targeted and costly, as well as price controls on certain products, which are also poorly targeted, and which hinder the development of the private sector.

16. The use of the SDR allocation will take into account the need to mitigate the socio-economic effects of the crisis while preserving CEMAC's foreign reserve objectives. To facilitate the financing of the budget and help mitigate the socio-economic impact of the crisis linked to COVID-19 and the rise in prices, we have used 70 billion CFAF on SDR allocations in 2022, which will bring the total amount used to 120 billion CFAF or 57% of the allocation received.

17. The external current account deficit should improve and stabilize around 3% of GDP in the medium term. Rising hydrocarbon prices should temporarily boost export earnings in the short term. Thereafter, programs to promote non-oil exports, import substitution, and regional integration should contribute to a gradual reduction in the current account deficit, which will stabilize at about 3 percent of GDP over the medium term. Higher non-oil export earnings and weaker import growth are expected to offset the decline in oil export earnings in line with international oil price projections. This will also contribute to consolidating the region's net foreign assets, with the objective of achieving a coverage of nearly 5 months of imports for the region in the medium term.

18. Monetary policy will remain geared towards achieving CEMAC's objectives for inflation and foreign exchange reserves. The post-COVID-19 economic recovery and the subsequent reduction in pressures to finance the budget deficit will provide the BEAC with leeway to reduce money supply growth and raise foreign reserve coverage without risks to stability of the financial system.

19. Domestic and external risks, however, could affect Cameroon's economic prospects. External risks that could weigh on growth include primarily uncertainties related to (i) the evolution of the pandemic (COVID-19), (ii) the level and volatility of commodity prices, (iii) the persistence of international trade tensions, and (iv) the influx of refugees from neighboring countries. Domestically, worsening insecurity in the regions currently in conflict, 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 in 2022

20. Fiscal policy in 2022, as articulated in the Revised Budget Law (LFR22), aims to reduce the deficit in line with the medium-term objectives, while supporting the recovery of the economy and vulnerable people. The LFR22 continues to emphasize mobilizing domestic non-oil revenue (by 0.5% of GDP) and improving the efficiency of public expenditure in order to reduce the overall budget deficit (payment order basis, including grants) from 2.4% of GDP in 2021 to 1.9% in 2022 and to keep public debt below 50% of GDP. Budget execution in 2022 has been somewhat delayed by the implementation of a new budget classification to align with community requirements and the need to clear outstanding payments from fiscal year 2021.

21. Fiscal policy faces difficult trade-offs between controlling inflation and public debt, economic recovery, and protecting vulnerable groups. The current crisis has led the government to modify the composition of the budget and its financing. The budget should benefit from the increase in oil revenues, somewhat mitigated by the decline in customs revenues due to the crisis and the economic partnership agreements with the European Union (EU) and Great Britain. At the same time, the increase in revenue will not be sufficient to absorb the increase in subsidies intended to contain the prices of fuel at the pump and the inflationary spiral, as well as the arrears of teachers' salaries. This will oblige a reduction in capital and other current expenditures. In order to guarantee the food security of the most vulnerable groups, the government, with the support of the World Bank and the African Development Bank, also plans to provide a targeted subsidy for the acquisition of fertilizers to improve crop yields on alternative food crops, especially maize, rice, sorghum, and soybeans.

C. Structural Fiscal Reforms in 2022

Public Finance Management Reform

22. The government is continuing the reforms aimed at improving the quality of public expenditure and cash flow management, as defined in our public finance reform program.

- The government has inventoried all the accounts to be transferred to the Single Treasury Account and will transfer the funds once the IT platform at the BEAC is completed (structural benchmark for December 2022).

- To enhance the effectiveness and efficiency of capital spending, the government will continue to implement reforms to improve the selection, planning and execution of investment projects. These include: (i) the implementation of the decree of September 2021 establishing procedures for monitoring the performance of project management units; (ii) the creation of a maturation and compensation fund for public investment projects; (iii) the establishment of a mechanism to evaluate and incorporate recurrent maintenance costs of state assets; (iv) implementation of the regulations of the Public Procurement Code, particularly those relating to the establishment of internal structures for the administrative management of procurement. The government has also undertaken to reform the legal and regulatory framework governing public-private partnerships (PPP) to make them more attractive (structural benchmark for December 2022).

- With regard to current expenditure, the government has completed the diagnosis of the pension system for civil servants. It intends to use the results to conduct a study of the system's sustainability to reduce quasi-fiscal risks (structural benchmark at end-October 2022). In order to better manage SNH's direct interventions, the government will put in place a mechanism enabling it to identify their nature and ensure their regularization by type of expenditure semi-annually (structural benchmark at the end of December 2022).

- With regard to fuel subsidies, the government will undertake a study on options for reforming the retail fuel price structure aimed at the gradual abolition of fuel subsidies while developing targeted measures to protect the most vulnerable households (structural benchmark at end-December 2022). In this regard, the government will extend the mechanism of conditional cash transfers (social safety nets) for the benefit of the most vulnerable households in collaboration with the World Bank (structural benchmark at end-December 2022).

Tax Administration Reforms

23. The government is implementing measures introduced in the LF22 in particular: those relating to broadening the tax base, the rationalization of incidental taxes, and the allocation of new revenue to certain earmarked accounts (CAS).

24. The Directorate General of Taxes (DGI) is continuing efforts launched to improve revenue collection, fight against tax evasion and fraud, and to ensure the integrity of taxpayer records and IT systems through: simplifying and digitalizing procedures in all areas of tax management; gradual introducing electronic invoicing, particularly in sectors with a high technological content; continued implementation of reform of the integrated tax partnership in terms of broadening the tax base; improved tracking of personal income tax by implementing the universal income declaration before June 30 of each year.

25. The General Directorate of Customs (DGD) will continue to consolidate reforms already implemented by strengthening measures for revenue optimization and measures to support the transformation of the Cameroonian economy. This will involve:

- **Optimizing revenues by**: (i) rationalizing tax expenditures; (ii) improving the collection of duties and taxes on imported cell phones; (iii) strengthening collaboration with the Ministry of Forestry and Fauna (MINFOF), the State's agent and other technical partners in monitoring timber exports; (iv) digitizing procedures by further extending electronic payment of customs duties and taxes throughout the country, automating the control of goods' clearance (vehicles and containers) through the COSMOS application; (v) finalizing the implementation of the CAMCIS data warehouse module, an important tool for fighting fraud relating to customs value and tariff classification offences, as well as foreign exchange and capital movements legislation and regulations; (vi) establishing protocols with public enterprises on a common platform for monitoring and settling outstanding debts.

- ***Improving the business climate by*** implementing electronic procedures to reduce the time and cost of moving goods.

- ***Strengthening the operational capacity of the Customs Administration to combat fraud by developing modern tools and procedures, such as:*** introducing systems to flag fraudulent transactions; improving the mechanism for recording and valuing exports; implementing the Stop Illicit Trade (HALCOMI) operation to fight fraud to curb smuggling and counterfeiting.

26. The government will strengthen collaboration between DGI and DGD through the "FUSION" platform. This will involve: (i) migrating the DGI records to DGD's information system (CAMCIS); (ii) strengthening the monitoring self-employed and non-professional persons carrying out foreign trade operations; (ii) creating a single taxpayer database with customs and tax debts and merging the system for issuing the tax clearance certificate (ANR) with the customs clearance system in a single document.

Tax Policy Reform

27. A significant improvement in the tax burden will require reform of tax policy as well as tax administration. Broadening the tax base remains a challenge given the considerable weight of tax expenditure, the informal sector's weight in the economy, and the low contribution of the personal income tax. The government intends to conduct a diagnostic study of tax policy, with technical assistance from the IMF, to identify additional short- and medium-term tax policy measures (structural benchmark for December 2022). This review could look at the following tax policy levers: (i) reduction of some tax expenditures; (ii) streamlining the tax regime for externally financed contracts through the effective abolition of the regime for taking over taxes; (iii) broadening the tax base in the transport sector; (iv) overhauling property taxation in anticipation of the local tax reform; (v) applying excise duties on products that can be produced locally; (vi) continued implementation of measures related to the policy to promote industrialization and exports to reduce import-dependence, and; (vii) collection of the tax arrears of public enterprises and measures to prevent their recurrence.

D. Debt Policy and Management of Contingent Liabilities

28. The government is determined to improve public debt sustainability. As the risk of debt distress remains high, the debt policy will focus on slowing the pace of new external borrowing commitments, while favoring concessional loans. Recourse to non-concessional borrowing will be limited to financing high-priority projects with proven socioeconomic and financial cost-effectiveness and for which no concessional financing is available.

29. The government reaffirms the central role of the National Committee on Public Debt (CNDP) in debt management. All debt proposals, including those of public enterprises and CTDs, as well as projects financed through PPPs, and all requests for guarantees, endorsements and sureties will be submitted to the CNDP for approval (taking into account their impact on debt sustainability). The formulation of the medium-term debt strategy (MTDS) will remain focused on supporting the elaboration of consistent annual borrowing plans. The communication strategy will also be strengthened to ensure better understanding by the various stakeholders of the debt management objectives.

30. Despite maintaining the same budget deficit, the LFR22 increased the ceiling on borrowing for 2022 above the original budget from CFAF 1,754 billion to CFAF 1,868 billion to accelerate payment of arrears. Following the conclusion of the first program review in February 2022, the nominal ceiling on non-concessional borrowing was replaced by a ceiling of CFAF 512.9 billion on the present value of new external borrowing contracted or guaranteed by the government. This is in accordance with the IMF's new public debt limits policy of June 2021. The Government is committed to introducing the nominal and present value thresholds in its medium-term debt strategy. The ceiling for domestic borrowing, including government securities, has been raised from CFAF 350 billion to CFAF 550 billion.

31. The government remains committed to clearing domestic arrears. After clearing outstanding arrears outstanding at 2019, the government intends to finalize the audits of government payment arrears due over the period 2000-2020 and adopt a clearance plan (structural benchmark for December 2022).

32. The stock of contracted-but-undisbursed debt (SENDs) excluding budget support increased slightly in 2021. The stock of SENDs on external debt, excluding budget support, increased from CFAF 3,147 billion at end-2020 to CFAF 3,673 billion at end-2021, mainly due to new concessional loans. The government is committed to gradually reducing the stock of SENDs. To this end, it plans to cancel the financing of old, non-performing projects, if necessary, and to seek new, more appropriate financing for the completion of these projects.

E. Public Enterprise Reform and Management of Contingent Liabilities

33. The government will continue to strengthen the management and governance of public enterprises to improve public service delivery and limit fiscal risks. More specifically, this entails: (i) continuing to bring the organic texts, as well as their implementation, of public enterprises and establishments into line with the provisions of the 2017 laws; (ii) finalizing the diagnostic studies of the three enterprises (PAD, CAMTEL, CAMWATER), then implementing the resulting recommendations, as well as undertaking studies of other public enterprises that are loss-making and/or highly indebted; (iii) undertaking a diagnostic study of all the approved or administered prices for public enterprise products with the aim of revising, if necessary, the price calculation formula by December 2022 at the latest; (iv) the gradual reduction of subsidies to public enterprises and establishments with low performance levels; (v) ensuring that the public administrations make quarterly payment for consumption of utility services, ensuring in return that these entities regularly meet their tax obligations and repay their contractual obligations on loans guaranteed or retroceded by the State.

34. Regarding the governance of public enterprises, the government will: (i) ensure that their boards of directors include qualified officers; (ii) strengthen internal control systems, require the production and publication of audited annual financial statements on the website of public enterprises and in a legal gazette, and the submission of their business plans in accordance with the law n°2017/11 of July 12, 2017; (iii) set up an umbrella entity in charge of steering governance as well as the strategy and coordination of the State's shareholder policy; (iv) revise the criteria for classifying public enterprises and establishments by the end of the current three-year evaluation cycle, which will provide the basis for remunerating managers and directors; (v) rationalize the State's portfolio by reducing the number of public enterprises through mergers or through recourse to public-private partnerships (PPPs). To this end, the legal and regulatory framework governing PPPs will be amended in accordance with regional guidelines to improve transparency, clarify the conditions for their implementation, and to ensure that all PPP projects are covered by a single framework. The CTR will continue to regularly update the risk dashboard by public enterprise, which will make it possible to map the risks of the State's portfolio, globally and by sector.

35. 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 paying subsidies), and measurable indicators of production volumes and service quality to be provided; (ii) gradually reducing subsidies to under-performing public enterprises; (iii) listing large public enterprises in the industrial sectors on the stock market; and (iv) clear identifying the public service mission of public enterprises and quantifying their output and associated unit costs to assess financial performance, operational efficiency, and the rationalization of government subsidies for its operations. In addition, the government will institute, by MINFI circular published on its website, governance by performance contracts to improve the performance of the public enterprises concerned (structural benchmark for June 2022). These performance contracts and their evaluation reports will be published regularly on the official MINFI website.

36. The government will continue to take steps to put SONARA on a sound financial footing. This involves: (i) completing negotiations as soon as possible on the restructuring of the debt with the traders (suppliers of crude oil and refined petroleum products) on the same terms as with the banks; (ii) validating monthly any shortfalls and/or overpayments, and paying the amounts owed by the debtor within a maximum of 120 days; (iii) requiring SONARA to make regular payments of taxes and customs duties owed to the Treasury; (iv) ensuring that trader is authorized to import a volume of petroleum products consistent with its financial commitments. The Government is determined to pursue SONARA’s industrial, financial, and operational restructuring in accordance with the recommendations of the Inter-ministerial Committee approved by the President of the Republic. A timetable with a progress report and a business plan will be produced for this purpose (structural benchmark at the end of March 2023).

F. Regional Monetary Policy and Financial Sector Stability

37. The government supports the efforts of the regional authorities to preserve the stability of the monetary arrangement, which requires rebuilding the BEAC reserves. It is committed to ensuring that all aspects of the new foreign exchange regulations under its jurisdiction are enforced. Specifically: (i) The government will require public enterprises to comply with the new foreign exchange regulations. (ii) In liaison with the BEAC, the government will ensure that new concession contracts or revenue-sharing agreements with the extractive industries comply with the provisions of the foreign exchange regulations before they are signed. The government will also take the necessary measures to ensure that the new Petroleum Code is fully compliant. (The Ministry of Finance will establish a data exchange platform for the BEAC, banks, DGTCFM and DGD to facilitate the control and monitoring of the repatriation of export proceeds and financial transactions with the rest of the world.

38. The government will continue to implement reforms aimed at strengthening the stability of the financial sector and reducing nonperforming loans. To this end the government will: (i) complete the restructuring of two distressed banks within the timetable set by the COBAC by the end December 2022 at a total fiscal cost of CFAF 20.6 billion over several years and open their capital to the private sector; this 'total fiscal cost' should not be used to bail out the shareholders; (ii) train the judiciary on the resolution of bank disputes and transform the existing commercial chambers into specialized commercial courts with judges trained in commercial disputes; (iii) encourage banks and financial institutions to systematically submit data to the national personal property security directory (RNSM); (iv) strengthening the operation of the State Asset Management Company (SRC).

39. 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. Government interventions will focus on the six areas as specified in the SND30.

40. In the medium term, the government intends to diversify the investor base for government securities with the aim of strengthening its financing capacity while developing a culture of savings and social protection. In 2022, the government will prepare a strategy in collaboration with the BEAC to encourage the participation of non-bank investors (insurance, pension funds, individuals, etc.), particularly in long maturity issues, and will ensure compliance with the terms of reference for primary dealers (SVT), which, among other things, includes the obligation to sell a portion of their underwriting subscriptions to customers. The government continues to set aside in a sinking fund account at BEAC the resources needed to pay the maturities of OTAs and bonds, including the Eurobonds.

G. Competitiveness and Private Sector Development

41. The government is determined to remove the structural impediments to private sector development and economic diversification through regular consultation with the private sector (structural benchmark for March 2022). These obstacles include inadequate infrastructure, high factor costs, limited access to financing, and various distortions (unskilled labor force, legal and judicial system requiring improvement). In line with SND-30, the government will implement its strategic choices, specifically the promotion of basic infrastructure and strengthening of governance to increase competitiveness and promote private sector development.

42. Facilitation of foreign trade will continue to play a key role in the development and strengthening of Cameroon's competitiveness. To support cross-border trade, the government commits to supporting regional initiatives for the migration of the customs information system, limiting intermediate controls on the transport of goods in transit at conventional checkpoints, and simplifying administrative formalities and procedures for cross-border trade. More specifically, it will: (i) reduce port transit times for goods for import, export, or transit; (ii) reduce port transit costs for imports and exports; (iii) complete the process for the computerization of procedures on port platforms; and (iv) implement the measures of the Trade Facilitation Agreement. To this end, the government will ensure the proper functioning of the National Trade Facilitation Committee (CONAFE), a participatory and partnership body bringing together equal numbers of public and private sector stakeholders responsible for trade facilitation. Moreover, to deepen the economic integration of the African continent, the government will ensure implementation of the national strategy on the African Continental Free Trade Area (AfCFTA).

43. Given the priorities adopted to accelerate private sector development, the government will reform the system of incentives for business development, especially by removing obstacles to a competitive business environment. To this end, the government will revise the law on private investment incentives with a view to its streamlining so as to promote healthy competition between economic operators (structural benchmark for June 2023), following the recommendations of the diagnostic study of fiscal policy.

H. Environment and Climate Change

44. SND-30 pays particular attention to the environment and climate change. It sets the specific objective of "stepping up measures to adapt and mitigate the effects of climate change and environmental management to ensure economic growth and sustainable and inclusive development." This is justified by the commitment of the Head of State in the context of the Paris Agreement on Climate, as reflected in Cameroon's "Nationally Determined Contribution (NDC)," to reduce our future greenhouse gas emissions by 35 percent by 2030, including 12 percent unconditional and 23 percent conditional on the support of the international community in the form of financing, transfers of technology and capacity building. Cameroon is one of 105 countries that signed the Glasgow Declaration on Forests and Land Use during the 26th Conference of the Parties

(CoP26) aimed at stemming and reversing the loss of forests and land degradation by 2030. To this end, Cameroon has undertaken to restore approximately 12 million hectares of degraded lands under the AFR 100 Initiative.

I. Promoting Good Governance

45. The government remains committed to strengthening good governance, transparency, the rule of law and the fight against corruption. In this regard, the government remains determined to continue its policy to consolidate public finance management by strengthening the legal and institutional framework for the promotion of public governance. To this end it intends to improve its regulatory framework to add clarity to the definition of corruption and related offenses, reduce exemptions from prosecution, strengthen the protection of whistleblowers, and facilitate the process for the seizure of goods used in the commission of these offenses or produced by them. At the institutional level, the government recognizes the need to strengthen the independence and intervention powers of the National Anti-Corruption Commission (CONAC), a specialized agency for combating corruption and enforcing the provisions of Article 66 of the amended Constitutional Law of January 18, 1996, on the obligation for senior officials to submit asset declarations. It will also involve strengthening the resources of the audit bench of the Supreme Court to bring it into line with the CEMAC directives. In consultation with IMF staff, the government will prepare and publish an action plan for strengthening the frameworks for preparation, publication, and follow-up of public spending audits, with recommendations for strengthening the relevant institutions, especially the Supreme Court's Audit Bench. The government will also conduct, in consultation with IMF staff, and publish a diagnosis of governance vulnerabilities and the fight against corruption, which would include the following aspects, affecting economic activity: (i) fiscal governance; (ii) supervision of the financial sector; (iii) regulation of the market for goods and services; (iv) the rule of law; and (v) the fight against money laundering and the financing of terrorism (AML/CFT).

46. The government will also continue to ensure compliance with international anti-money laundering and terrorist financing (AML/CFT) standards. The National Financial Investigation Agency (ANIF) has made progress in implementing the recommendations of the 2021-24 priority plan following the National Risk Assessment (NRA) in January 2021. Following its evaluation in March 2021, the Task Force on Money Laundering in Central Africa (GABAC) adopted the report in October 2021 that will serve as a basis for strategic decision-making in the implementation of measures aimed at strengthening the national AML/CFT framework.

47. The government pledges to take the necessary steps to strengthen compliance with the Extractive Industries Transparency Initiative (EITI). Cameroon's temporary suspension in April 2021 was lifted after the 2018 reconciliation report was published in June of that year. The 2019 EITI report was presented to the public in November 2021 and the 2020 report will be published on time (December 2022). The government is working on the implementation of the 15 corrective measures in preparation for the new validation session scheduled for April 2023. It intends to redouble its efforts to implement the recommendations of the EITI Board and continue to promote transparent and responsible management of natural resources. To this end, the

Government is committed to systematic disclosure and the implementation of the other major projects of the EITI standard, notably the fight against corruption, the energy transition and gender.

J. Promoting Gender Equality

48. The government will continue its efforts to promote gender equality. A major change in LF22 is the inclusion of a specific annex devoted to gender-sensitive budgeting. In accordance with the recent AFRITAC technical assistance recommendations, the government has undertaken to adapt the budgeting tools to add a gender dimension. The first Gender-Sensitive Budget Document, focusing on eight pilot ministerial departments in a gradual approach, highlights government actions aimed at promoting gender equality by establishing the essential links between policies issued and subsequent budget allocations. Its objective is to promote gender equality and its impact on the population, which should make it possible to improve the share of the budget allocated to reducing gender-related inequalities in government departments over time.

PROGRAM MODALITIES

49. The government will take all necessary measures to meet the targets and criteria presented in Tables 1 and 2 of this memorandum. The program will be monitored on the basis of semiannual reviews and the performance criteria, indicative targets and structural benchmarks defined in Tables 1 and 2 of this memorandum and in the attached Technical Memorandum of Understanding (which also defines the requirements for data reporting to IMF staff). The third review of the program will be based on end-June 2022 targets and is expected to be completed by December 15, 2022; the fourth review based on end-December 2022 targets is expected to be completed by June 15, 2023; the fifth review based on end-June 2023 targets is expected to be completed by December 15, 2023; and the sixth review based on end-December 2023 targets is expected to be completed by June 3, 2024.

50. The government requests that the IMF Executive Board grant a waiver for performance criteria applicability for end-June 2022. The government is also requesting the approval of modifications to the program targets for end-December 2022 in line with the updating of the macroeconomic projections. As data on the performance targets for June 2022 will not be known before the Executive Board meeting scheduled in July 2022, we are also requesting a waiver for performance criteria applicability for end-June 2022.

Table 1. Cameroon: Quantitative Performance Criteria (QPC) and Indicative Targets (IT) under the ECF and EFF Arrangements[1]

(CFAF billions, unless otherwise indicated)

	End-Dec 2021			End-Mar 2022			End-Jun 22	End-Sept 22	End-Dec 22	End-Mar 23	End-Jun 23
	QPC	Actual	Performance	IT	Actual	Performance	QPC	IT	QPC	IT	QPC
A. Quantitative Performance Criteria											
Floor on the non-oil primary fiscal balance (payment order basis)	-1,078	-1,003	Met	-41	104	Met	-432	-499	-1,083	-164	-316
Ceiling on the net domestic financing of the central government (excluding IMF financing) 2/	102	31	Met	106	-152	Met	150	210	46	-52	-121
Ceiling on net borrowing of the central government from the central bank (excluding IMF financing) 2/	114	62	Met	115	-186	Met	170	170	170	-15	-31
Ceiling on the disbursement of non-concessional external debt 3/	566	82	Met	162	60	Met	324	485	647	203	406
B. Continuous Quantitative Performance Criteria (starting from the program approval)											
Ceiling on the accumulation of new external payments arrears 4/	0	0	Met	0	0	Met	0	0	0	0	0
Ceiling on new non-concessional external debt contracted or guaranteed by the government 5/ 6/ 7/	0	188	Met	Applicable untill the Board date of the 1st review (02/23/2022)							
PV of contracting and guaranteeing of new external borrowing 8/				Starting from the Board date of the 1st review (02/23/2022)	150.5	Met	512.9	....	512.9	....	512.9
C. Indicative Targets											
Floor on non-oil revenue	2,930	3,007	Met	794	827	Met	1,558	2,361	3,275	908	1,837
Ceiling on the net accumulation of domestic payment arrears	-83	-37	Not Met	-10	-105	Met	-29	-53	-85	-15	-34
Floor for poverty-reducing social spending	1,111	1,126	Met	172	251	Met	382	716	1,062	287	337
Ceiling on direct interventions of SNH	145	224	Not Met	40	49	Not Met	80	110	145	40	80
Share of spending executed through exceptional procedures on authorized (payment order) spending 9/	5	7.8	Not Met	5	14.8	Not Met	5	4	4	4	4
Memorandum items:											
1. Cumulative external budget support, excluding IMF (earliest disbursement)	*110*	*54*		*45*	*0*		*45*	*135*	*170*	*29*	*69*
2. Balance of the special account for the unused statutory advances	*50*	*51*		*50*	*51*		*50*	*50*	*50*	*50*	*50*

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 is equal to the amount of non-concessional budget support approved up to a maximum of CFAF 110 billion. For 2022 the adjustment is equal to the amount of non-concessional budget support approved up to a maximum of CFAF 174 billion.

7/ For 2021, an adjustor of up to CFAF 300 billion is-applied for the macro-critical projects specified in Text Table 1 of the TMU contracted after program approval. Non-concessional external debt already contracted or guaranteed in 2021 prior to program approval counts against the 2021 adjustor, including the potential uses of the Eurobond refinancing proceeds of CFAF 37.5 billion. For 2022, until the completion of the first review, the ceiling is upward exclusively for the projects specified in Table 1 of the TMU, up to a maximum determined by the difference between (i) CFAF 300 billion, and (ii) the amount of the adjustor applied at end-December 2021.

8/ Cumulative ceiling calculated from January 1, 2022 and monitored on a continuous basis from completion of the first review under the ECF/EFF arrangement. Excludes ordinary credit for imports, debt relief obtained in the form of rescheduling or refinancing, and budget support loans from the World Bank.

9/ 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.

Table 2. Cameroon: Structural Benchmarks

	Structural Benchmark	Due Date[1]	Indicator	Status	Comments	Revised due date[1]
	Revenue Mobilization					
1	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-22	Diagnostic sent to IMF staff.		Rephased during 1st Review. The IMF TA will be conducted in 2022.	
	Public finance and debt management					
2	Complete the audits of government payment arrears and adopt an arrears settlement plan of arrears certified by these audits.	Sep-22	Communication of the audit report and the clearance plan to IMF staff		Rephased during 1st Review. Audits that would provide a basis for clearing the debts are underway and should be communicated to IMF staff shortly.	
3	Pursue the reforms aimed at extending the TSA 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 STA accounts to the BEAC before the end of March 2022.	Jun-22	Transmission of the list of non-BEAC accounts and closed accounts and transferred to the BEAC to IMF staff.	Not met	Rephased during 1st Review. The authorities completed the 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, and as of December 31, 2021. The BEAC platform needed to repatriate the balances is not yet available but is expected in August 2022.	Dec-22
4	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	Met	A copy of the study was sent to IMF staff in May 2022.	
	Public Enterprises					
5	Finalize the diagnostic studies of a few large public companies (CAMTEL, PAD, CAMWATER)	Jun-22	Diagnostic studies sent to IMF staff	Not met	Rephased during 1st Review. PAD diagnostic report is being finalized and CAMTEL and CAMWATER diagnostics are ongoing.	Dec-22
	Public Investment Management (PIM)					
6	Adopt a legal and regulatory framework governing Public-Private Partnerships (PPP) so that all Public-Private Partnership projects follow a single framework.	Dec-22	Legal and regulatory framework published		Rephased during 1st Review. Pending the adoption of a regional framework, the authorities have already prepared a draft to be aligned with the future regional framework	
7	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.	Jun-22	Inventory and plan shared with IMF staff	Not met	Rephased during 1st Review. Cross-debt inventory report being finalized.	Dec-22
8	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	Not met	Rephased during 1st Review. Met in July 2022	
	Extractive Sector					
9	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	Not met	The implementing texts of the 2016 Mining Code had been finalized but the Code has to be revised to reflect the creation of SONAMINE in December 2020.	Mar-23

1/ Refers to end of the month.

Table 2. Cameroon: Structural Benchmarks (Concluded)

	Structural Benchmark	Due Date[1]	Indicator	Status	Comments	Revised due date[1]
	Business Climate					
10	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.	Jun-22	Decree designating the officers of the deposit and consignment fund	Not met	Rephased during 1st Review. The authorities have yet to nominate the officers responsible.	Dec-22
11	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	Met	New consultation format was confirmed in early 2022.	
12	Revise Law No. 2013/004 of April 18, 2013 to rationalize these incentives and promote healthy competition between economic operators.	Dec-22	A revised law is published		Rephased during 1st Review. To be rescheduled after the completion of the tax policy diagnostic.	
	Good Governance and Anti-Corruption					
13	Publish an execution report of expenses related to COVID-19 and executed during the 2021 budget year.	Jun-22	Publication of the report	Met	The report has been completed and will be published shortly	
14	Publish a diagnostic of vulnerabilities in governance, including in corruption, that would include state functions that are most relevant to economic activity; namely: (i) fiscal governance; (ii) financial sector oversight; (iii) market regulation; (iv) rule of law; and (v) Anti Money Laundering and Combatting the Financing of Terrorism (AML/CFT).	Jun-23	Publication of the report		Consultations with Legal Department of the IMF have been launched	
15	In consultation with IMF staff, prepare and publish an action plan for strengthening the frameworks for preparation, publication, and follow-up of public spending audits, with recommendations for strengthening the relevant institutions, especially the Supreme Court's Audit Bench.	Dec-22	Submission to the IMF staff		Consultations with Legal Department of the IMF have been launched	
16	Prepare and publish an audit prepared by the audit bench of the supreme court (chambre des comptes) of fiscal year 2021 expenses related to COVID-19.	Dec-22	Publication of the report			
	New Structural Benchmarks					
17	Direct Interventions: Put in place a mechanism to identify the type of expenditures of SNH's direct interventions and ensure their semi-annual regularization by type of expenditure.	Dec-22	Set up a reconciliation committee (including SNH and Ministry of Finance) and submit to IMF staff semi-annually a table of SNH interventions by type of expenditure.		New structural benchmark	
18	SONARA Restructuring Plan: Elaborate a restructuring plan for SONARA, including industrial and financial options under consideration.	Mar-23	Elaborate and submit to IMF staff the new restructuring plan for SONARA.		New structural benchmark	
19	Social Transfers: In consultation with the World Bank, submit to IMF staff a timetable to scale-up by 100 percent the existing mechanism for conditional cash transfers (filets sociaux) in 2023.	Dec-22	Submit to IMF staff a timetable for the scaling up of social transfers.		New structural benchmark	
20	Civil Service Pension System: Conduct a study of the sustainability of the civil service pension system (government officials) with a view to reduce quasi-fiscal risks.	Oct-22	Submit ToR to IMF Staff		New structural benchmark	
21	Fuel price mechanism: in consultation, with the World Bank, undertake a study on options for the reform of the existing fuel price mechanism aiming at gradually phasing out fuel subsidies while developing targeted measures to protect the most vulnerable households.	Dec-22	Submit study to IMF Staff		New structural benchmark	

1/ Refers to end of the month.

Attachment II. Technical Memorandum of Understanding

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

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 arrangements under 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-December 2021 until end-June 2023 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 16919– (20/103) adopted on October 28, 2020, but also includes commitments contracted or guaranteed, for which the values have not been received. For purposes of these Guidelines, **"debt"** is understood to mean a current, i.e., not contingent, liability created under a contractual arrangement through the provision of value, in the form of assets (including currency) or services, at some future point(s) in time. These payments will discharge the debtor from the principal and/or interest liabilities undertaken under the contract. In accordance with the foregoing definition of debt, any arrears, penalties and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt.

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

15. Concessional external debt: External debt is considered concessional if it comprises a grant component of at least 35 percent.[1] The grant component is the difference between the face value of the loan and its present value (PV) expressed as a percentage of the face value. The PV of debt at the date on which it is contractually arranged is calculated by discounting the debt service payments at the date on which the debt was arranged.[2] A discount rate of 5 percent is used for that purpose.

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

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

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

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

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

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

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

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

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

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

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

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

- **Unstructured debt** is defined as:

i. *Unstructured debt of the CAA,* which includes all balances payable, and liabilities of the government transferred to the CAA that have not been subject to a reimbursement or securitization agreement. The stock of unstructured debt is estimated at CFAF 68.0 billion at end-2020.

ii. *Domestic "floating" debt*, including all government's commitments for which a service was provided by a public or private service provider but that has not been subject to any budget commitment. These obligations include invoices payable and not settled to public and private enterprises but exclude tax debt deriving from debt offsetting operations with public enterprises and the execution of externally financed public procurement agreements that have not been covered by the budget as a result of insufficient budget appropriations. The Directorate General of Budget will conduct a monthly assessment of these commitments in collaboration with the public treasury.

20. **External payment arrears** 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

21. **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

22. 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.

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

Cutoff Dates for Reporting Information

23. 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

24. A ceiling on net domestic financing of the government excluding net IMF financing is defined as a quantitative objective in Table 1 of the MEFP. For program requirements, net domestic financing of the government excluding net IMF financing will be net domestic financing of the government defined in paragraph 16, not including net IMF financing.

Adjustment

25. 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.

26. 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 2022 and 2023. This ceiling may be reviewed depending on the rate of budget aid disbursements during the year.

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

Cutoff Dates for Reporting Information

27. 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

28. 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

29. 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

30. 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.

31. 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.

32. 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 2022 and 2023. This ceiling may be reviewed depending on the rate of budget aid disbursements during the year.

Cutoff Dates for Reporting Information

33. 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

34. 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

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

F. PV of External Debt Contracted or Guaranteed by the Government and certain other Public Entities

Performance Criteria

36. A performance criterion (ceiling) applies to the PV of new external debt contracted or guaranteed by the government and certain other public entities.[3] The ceiling applies also to debt contracted or guaranteed for which value has not yet been received, including private debt for which official guarantees have been extended. This performance criterion is applicable to external debt as defined in paragraph 14 of this Memorandum and to debt guaranteed by the government that constitutes a contingent public liability as defined in paragraphs 13 of this Memorandum. Moreover, this criterion is applicable to external debt contracted or guaranteed by (i) public enterprises defined in paragraph 4 that receive transfers from the government, (ii) municipalities, and (iii) agencies of general government including professional, scientific, and technical organizations. However, this performance criterion is not applicable to borrowing arranged in CFA francs, Treasury bills and bonds issued in CFA francs on the CEMAC regional market, regular short-term loans from suppliers, regular import credits, loans from the IMF, and budget support loans from the World Bank or debt relief or rescheduling. 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.

37. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.[4] For debts with a grant element equal to or below zero, the PV will be set equal to the nominal value of the debt. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248-(13/97). The PV of external debts in currencies other than the U.S. dollar will be calculated in U.S. dollar terms at program exchange rates as specified in TMU Text Table 1. For any debt carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD SOFR is 0.04 percent and will remain fixed for the duration of the program. The spread of the six-month Euro EURIBOR over six-month USD SOFR is -56 basis points. The spread of six-month JPY OIS over six-month USD SOFR is -8 basis points. The spread of six-month GBP SONIA over six-month USD SOFR is 1 basis point. For interest rates on currencies other than Euro, JPY, and GBP, the spread over six-month USD SOFR

[3] Guidelines on Public Debt Limits in Fund-Supported Programs attached to the Executive Board Decision No. 16919-(20/103), adopted October 28, 2020).

[4] The calculation of concessionality takes into account all aspects of the debt agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees.

is 15 basis points.[5] Where the variable rate is linked to a benchmark interest rate other than the six-month USD SOFR, a spread reflecting the difference between the benchmark rate and the six-month USD SOFR (rounded to the nearest 50 bps) will be added.

Text Table 1. Cameroon: Program Exchange Rates

Currency	CFA franc per currency unit	Currency units per US Dollar
US Dollar	543.201	1.00
Euro	655.957	0.828
AfDB XUA	760.26	0.714
STG Pound	782.048	0.695
Japanese Yen	5.092	106.679
Chinese Yuan	82.338	6.597

Source: October 2021 World Economic Outlook, AfDB, Staff calculation

Adjustment

38. An adjustor upward (downward) by the amount by which budget support exceeds (falls short of) the projected amounts. Any adjustment will be capped to 10 percent of the external debt ceiling set in PV terms and must be consistent with maintaining debt sustainability.

39. The external debt ceiling set in PV terms ceiling would be adjusted upward by the full amount in PV terms of any project financing dedicated to COVID-19 vaccine interventions that was not anticipated at the time of setting of the performance criterion. In this connection, the authorities will consult with IMF staff on any planned external concessional borrowing for this purpose and the conditions on such borrowing before the loans are either contracted or guaranteed by the national government.

40. An adjustor of up to 5 percent of the external debt ceiling set in PV terms applies to this ceiling, in case deviations from the performance criterion on the PV of new external debt are prompted by a change in the financing terms (interest, maturity, grace period, payment schedule, upfront commissions, management fees) of a debt or debts. The adjustor cannot be applied when deviations are prompted by an increase in the nominal amount of total debt contracted or guaranteed.

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

Cutoff Dates for Reporting Information

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

OTHER INDICATIVE QUANTITATIVE TARGETS

G. Non-Oil Revenue

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

H. Accumulations of Domestic Payment Arrears

43. A ceiling on net accumulations of domestic payment arrears is defined as an indicative objective in Table 1 of the MEFP. Domestic payment arrears covered by the Treasury are defined in paragraph 19 and do not include unstructured floating debt not covered by the Treasury.

I. Social Expenditure

44. 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

45. 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.

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

46. 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

47. 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

48. 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 Non-Concessional Borrowing Limit [1]

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)

1/ The list identifies the priority projects covered by the quantitative ceiling on new non-concessional external debt contracted or guaranteed by the government for 2021 and until the completion of the first program 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, 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.

Table 2. Summary of Data Reporting Requirements (continued)			
Monthly monitoring report on calls for funds and effective disbursements.	CAA/MINEPAT	Monthly	4 weeks
Data on the implementation of the public investment program, including a detailed listing of financing sources.	MINFI/Ministry of Economy, Planning and Regional Development (MINEPAT)/CAA	Quarterly	6 weeks
Monthly accounting statements showing the amount of cash advances, advance funds, and the balance of provisional budget commitments.	MINFI	Monthly	6 weeks
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

Table 2. Summary of Data Reporting Requirements (concluded)			
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
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/MINEPA T		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

INTERNATIONAL MONETARY FUND

CAMEROON

July 13, 2022

SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY ARRANGEMENTS, AND REQUESTS FOR WAIVERS FOR PERFORMANCE CRITERIA APPLICABILITY AND MODIFICATION OF PERFORMANCE CRITERION—DEBT SUSTAINABILITY ANALYSIS

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	Sustainable
Application of judgement	No

Cameroon's overall debt sustainability indicators have improved compared to the previous DSA, due to a faster recovery from the pandemic, improved fiscal balance, and stronger exports driven by higher oil and non-oil commodities prices. Nevertheless, Cameroon is still at high risk of external and overall public debt distress as its two external debt indicators and one public debt indicator continue to breach their respective thresholds and benchmark under the baseline scenario.[1]

Given that Cameroon's external debt stock indicators continue to lie below the thresholds, and its external debt service indicators have improved supported by the authorities' active debt management, and the authorities remain committed to fiscal consolidation efforts, staff considers there is a high likelihood that Cameroon will continue to meet its current and future financial obligations and assess its debt as sustainable.

[1] The thresholds are determined by the Composite Indicator (CI). Cameroon's CI score based on the April 2022 World Economic Outlook (WEO) and the 2020 World Bank Country Policy Institutional Assessment (CPIA) data is 2.67, corresponding to a *weak* debt-carrying capacity.

However, downside risks remain significant. The ongoing war in Ukraine could set back the global recovery and prolong supply disruptions, casting additional pressures on the Cameroonian economy. Rising food and fuel prices could intensify socio-economic tensions, while rising subsidy costs could derail Cameroon's fiscal consolidation efforts and/or crowd out necessary investments critical for economic development. Tightening global financial conditions could increase borrowing costs, and delayed restructuring of SONARA's debt would further weigh on Cameroon's debt sustainability. Continued vulnerability to the COVID-19 pandemic, and potential resurgence of regional security conflicts are adding to the challenges.

Given increased downside risks, Cameroon will need to judiciously use its increased oil revenue to ensure its debt sustainability. Reducing the fuel subsidies by gradually increasing fuel pump prices while protecting the most vulnerable would be a critical step. In the meantime, continued efforts are warranted to limit reliance on non-concessional borrowing, strengthen management of SOEs, and accelerate reforms to boost exports and output.

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 and external arrears of other state-owned enterprises (SOEs).[2] 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 such as social security funds or extra budgetary funds are not covered due to lack of data. External debt is mainly defined based on currency but is adjusted for residency where data is available.[3]

2. **There is some scope to broaden the debt perimeter.** In recent years the authorities have made significant progress in improving the comprehensiveness of debt reporting by expanding the scope of SOE debt data,[4] supported by the World Bank's Sustainable Development Finance Policy (SDFP) Performance and Policy Actions (PPA). Latest report indicates that the debt of SOEs excluding SONARA amounts to CFAF 217 billion, around 0.9 percent of GDP (Text Table 3). Authorities have noted that these debts should not be included in the public debt stock as the SOEs can borrow without government guarantee and associated fiscal risk is limited. However, oversight of SOEs in Cameroon remains weak, leading to significant uncertainties in monitoring their operations and assessing potential fiscal risks. Building on the diagnostic studies of large SOEs and an inventory of the cross-debts among SOEs and the state (structural benchmarks under the IMF program), staff and the authorities will gradually expand the

[2] 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).

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

[4] The authorities publish external debt data for seven SOEs and domestic debt for ten SOEs (including SONARA).

debt perimeter and clarify the fiscal risks associated with SOEs. In the meantime, the authorities are also putting efforts on enhancing data collection from local governments and public pensions.[5]

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

3. **The contingent liability stress test accounts for vulnerabilities associated with uncovered debt (Text Table 2).** Shock scenario for the SOE debt is set at 2 percent of GDP (a default value reflecting the median SOE external liability identified by a Fund staff survey conducted in 2016), given the possibility of unidentified SOE debt.[6] According to the latest data from the authorities, the capital stock of public private partnerships (PPPs) as of end-2021 is estimated at CFAF 1227.9 billion, about 4.9 percent of GDP, corresponding to a contingent liability of 1.7 percent of GDP. Contingent liabilities from financial markets are set at the minimum value of 5 percent of GDP, which represents the average cost to the government of a financial crisis in a LIC since 1980. Estimates for other elements not covered are currently not available.

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

1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt			
		Default		Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0	percent of GDP	0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	2.0	
4	PPP	35	percent of PPP stock	1.7	
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)			8.7	

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%.

[5] For example, work is continuing between the Ministry of Finance and the Ministry of Decentralization and Local Development for data collection of the Decentralized Territorial Communities (CTD). The authorities are also working on a diagnostic study of the public administration pension system (structural benchmark).

[6] In the previous DSA, unaccounted SOE debt was assumed at 8.1 percent of GDP, based on previous estimates of total SOE debt (12.6 percent of GDP), net of SONARA's debt (3.0 percent of GDP) and debt owed to the government (1.5 percent of GDP). As this amount may include cross-debt holdings among SOEs which can be substantial, staff uses a default parameter of 2 percent of GDP until the amount is clarified.

BACKGROUND

A. Evolution of Debt

4. **Public debt has continued to increase, but the pace of growth has slowed in recent years (Text Table 3).** Preliminary staff estimates suggest that the total public and publicly guaranteed (PPG) debt is around CFAF 11,456 billion (45.5 percent of GDP) as of end-2021. External debt stock was estimated at CFAF 7,951 billion (31.6 percent of GDP) and domestic debt at CFAF 3,505 billion (13.9 percent of GDP).

5. **The composition of external debt has changed moderately, with increasing share of multilateral debt.** The share of multilateral debt reached 41.1 percent of the total PPG external debt as of end-2021 (Text Table 4). Among bilateral debt, debt owed to China represents the largest share, with 62 percent of total bilateral debt. Around 40 percent of external debt is on concessional terms and 38 percent is denominated in Euros. Average maturity stood at 8.8 years for external debt (excluding SONARA's debt), while the weighted average interest rate stood at 2.3 percent. Around 24 percent of external debt has a variable interest rate.

Text Table 3. Cameroon: Evolution of Total PPG Debt

	2016		2017		2018		2019		2020 (Prel.)		2021 (Prel.)	
	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/
Total Public Debt (authorities' estimate)	**6010**	**30.0**	**6829**	**32.6**	**7933**	**35.7**	**9786**	**42.1**	**10351**	**44.1**	**11314**	**45.0**
Debt of the central government	5246	26.2	6227	29.7	7371	33.2	8695	37.4	9439	40.2	10425	41.4
External debt	3942	19.7	4649	22.2	5652	25.5	6398	27.5	6747	28.7	7555	30.0
Domestic debt (excl. arrears)	1304	6.5	1578	7.5	1719	7.7	2034	8.7	2505	10.7	2766	11.0
Unpaid government obligations (float and arrears) 2/							264	1.1	187	0.8	104	0.4
Publicly guaranteed debt (external)	66	0.3	51	0.2	46	0.2	37	0.2	29	0.1	21	0.1
Debt of SOEs (unguaranteed)	698	3.5	551	2.6	517	2.3	1053	4.5	883	3.8	868	3.5
SONARA 3/	114	0.6	108	0.5	156	0.7	745	3.2	655	2.8	651	2.6
of which: external	25	0.1	33	0.2	52	0.2	371	1.6	359	1.5	366	1.5
of which: domestic	89	0.4	75	0.4	103	0.5	374	1.6	296	1.3	286	1.1
Ex-SONARA 4/	584	2.9	443	2.1	361	1.6	308	1.3	228	1.0	217	0.9
of which: external	70	0.3	64	0.3	72	0.3	145	0.6	94	0.4	93	0.4
of which: domestic	514	2.6	379	1.8	289	1.3	164	0.7	134	0.6	124	0.5
Total External	4103	20.5	4798	22.9	5822	26.2	6951	29.9	7229	30.8	8035	31.9
Total Domestic	1907	9.5	2032	9.7	2112	9.5	2835	12.2	3123	13.3	3280	13.0
Total Public Debt (staff estimate)	**6434**	**32.1**	**7659**	**36.5**	**8512**	**38.3**	**9669**	**41.6**	**10535**	**44.9**	**11456**	**45.5**
Debt of the central government	5901	29.4	7066	33.7	7860	35.4	9037	38.9	9800	41.7	10775	42.8
External debt	3942	19.7	4649	22.2	5652	25.5	6398	27.5	6747	28.7	7555	30.0
Domestic debt (excl. arrears)	1304	6.5	1578	7.5	1719	7.7	2034	8.7	2505	10.7	2766	11.0
Unpaid government obligations (float and arrears) 2/	655	3.3	838	4.0	489	2.2	606	2.6	547	2.3	454	1.8
Publicly guaranteed debt (external)	66	0.3	51	0.2	46	0.2	37	0.2	29	0.1	21	0.1
Debt of SOEs (unguaranteed)	467	2.3	542	2.6	606	2.7	594	2.6	706	3.0	660	2.6
SONARA 3/	457	2.3	534	2.5	597	2.7	585	2.5	698	3.0	651	2.6
of which: external (incl. arrears)	293	1.5	383	1.8	446	2.0	386	1.7	370	1.6	366	1.5
of which: domestic	165	0.8	151	0.7	151	0.7	199	0.9	328	1.4	286	1.1
Ex-SONARA (external) 4/	10	0.0	9	0.0	9	0.0	9	0.0	8	0.0	9	0.0
Total External	4310	21.5	5092	24.3	6152	27.7	6831	29.4	7155	30.5	7951	31.6
Total Domestic	2124	10.6	2567	12.2	2360	10.6	2838	12.2	3380	14.4	3505	13.9

Sources: Cameroonian authorities and IMF staff calculations.

1/ Reflects rebasing of the national accounts from 2005 to 2016 as described in foornote 8.

2/ Staff estimate includes arrears, floats, and "floating" domestic debt at the Treasury as defined in the TMU, while authorities' estimate only includes overdue payments of more than trhee months.

3/ Authorities' estimate of historical SONARA debt varys significantly with previous data. Staff maintains estimates in the previous DSAs until further clarification.

4/ Difference in estimates is due to the scope of coverage as described in paragraph 2 and footnote 3.

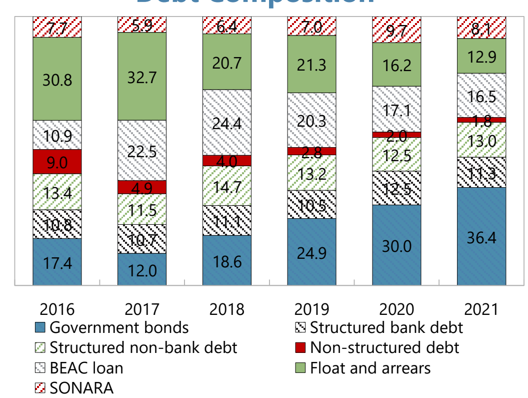
Text Table 4. Cameroon: External Debt Composition

	2016	2017	2018	2019	2020	2021 (Prel.)	2016	2017	2018	2019	2020	2021 (Prel.)
	(Billions of CFAF)						(Percent share)					
Total PPG External Debt (staff estimate)	**4310**	**5092**	**6152**	**6831**	**7155**	**7951**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Debt of the central government	**3942**	**4649**	**5652**	**6398**	**6747**	**7555**	**91.5**	**91.3**	**91.9**	**93.7**	**94.3**	**95.0**
Multilateral	**1152**	**1450**	**1995**	**2349**	**2764**	**3266**	**26.7**	**28.5**	**32.4**	**34.4**	**38.6**	**41.1**
IMF	52	191	268	302	546	671	1.2	3.7	4.4	4.4	7.6	8.4
World Bank (IDA, IBRD)	572	725	835	1026	1029	1213	13.3	14.2	13.6	15.0	14.4	15.3
African Development Bank/Fund	331	342	636	693	826	906	7.7	6.7	10.3	10.1	11.5	11.4
Other Multilateral	196	192	256	328	364	476	4.6	3.8	4.2	4.8	5.1	6.0
Bilateral	**2077**	**2440**	**2716**	**3077**	**3070**	**3297**	**48.2**	**47.9**	**44.2**	**45.1**	**42.9**	**41.5**
Paris Club	599	737	868	957	1020	1089	13.9	14.5	14.1	14.0	14.3	13.7
Non-Paris Club	1478	1703	1848	2120	2050	2209	34.3	33.4	30.0	31.0	28.6	27.8
of which: China	1441	1649	1745	1965	1895	2046	33.4	32.4	28.4	28.8	26.5	25.7
Commercial	**713**	**760**	**941**	**972**	**913**	**991**	**16.5**	**14.9**	**15.3**	**14.2**	**12.8**	**12.5**
of which: Eurobond	450	450	450	450	450	542	10.4	8.8	7.3	6.6	6.3	6.8
Guaranteed external debt	**66**	**51**	**46**	**37**	**29**	**21**	**1.5**	**1.0**	**0.7**	**0.5**	**0.4**	**0.3**
Unguaranteed SOE debt (incl. arrears)	**303**	**392**	**455**	**395**	**379**	**374**	**7.0**	**7.7**	**7.4**	**5.8**	**5.3**	**4.7**
SONARA	293	383	446	386	370	366	6.8	7.5	7.2	5.7	5.2	4.6
Others	10	9	9	9	8	9	0.2	0.2	0.1	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 Bons du Trésor Assimilables (BTA) and Obligations du Trésor Assimilables (OTA)) continued to increase, driven by increased spending needs during the pandemic, reaching 36.4 percent of the total domestic public debt as of end-2021. The share of float and arrears has declined further from about 16.2 percent in end-2020 to 12.9 percent in end-2021. Average maturity of domestic debt (excluding the float and SONARA's debt) stood at 4 years and the average weighted interest rate at 3.0 percent.

Text Figure 1. Cameroon: Domestic Public Debt Composition



7. The stock of contracted-but-undisbursed debt (SENDs) has increased. The stock of SENDs as of end-2021 is estimated at CFAF 3,673 billion, 14.6 percent of GDP compared with 13.4 percent of GDP at end-2020 (Text Table 5). The increase was mainly driven by new loan contracts signed with multilateral creditors. Given the substantial amount of SENDs, the authorities will need to carefully manage disbursements consistent with their disbursement plan, while redoubling efforts to reassess and cancel SENDs associated with old and non-performing projects.[7]

[7] SENDs are 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 less than one year and the share that is disbursed is below 50 percent, (vi) the project

(continued)

Text Table 5. Cameroon: Stock of SENDs

	2016		2017		2018		2019		2020		2021	
	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/
SENDs	**3936**	**19.6**	**4328**	**20.6**	**4043**	**18.2**	**3470**	**14.9**	**3146**	**13.4**	**3673**	**14.6**
Domestic	281	1.4	178	0.9	171	0.8	65	0.3	0	0.0	0	0.0
External 2/	3655	18.2	4149	19.8	3873	17.4	3405	14.6	3146	13.4	3673	14.6
o/w multilateral	1346	6.7	1746	8.3	1627	7.3	1671	7.2	1769	7.5	2197	8.7
o/w bilateral	1783	8.9	1710	8.2	1545	7.0	1121	4.8	824	3.5	777	3.1
o/w commercial	526	2.6	693	3.3	701	3.2	613	2.6	554	2.4	699	2.8

1/ Reflects rebasing of the national accounts from 2005 to 2016 as described in footnote 8.

2/ Excludes budget support.

Sources: Cameroonian authorities, and IMF staff calculations.

8. No new sovereign external arrears have been accumulated. The DSA includes external arrears of SONARA and other SOEs, estimated at CFAF 221.1 billion and CFAF 9 billion as of end-2021 respectively. As these liabilities fall on the indebted SOEs and not the government, the arrears do not represent government insolvency and/or illiquidity.

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

10. External private sector debt has decreased. Available data from the World Bank International Debt Statistics (IDS) indicate that private external debt has decreased to CFAF 413 billion (1.8 percent of GDP) as of end-2020. Most debt is in direct investments held by foreign parent companies and official institutions.

B. Macroeconomic Forecast

11. Cameroon showed recovery from the COVID-19 shock prior to the war in Ukraine. After a record low of -2.2 percent year-on-year growth in the second quarter of 2020, real GDP growth rate

has not disbursed for more than one year. Problematic SENDs are estimated at CFAF 1,926 billion (8.2 percent of GDP) as of end-2020.

recovered to 3.6 percent in 2021, supported by a strong recovery in the primary and tertiary sectors.[8] Fiscal position also benefited from the increase in oil prices. Overall fiscal deficit (payment order basis, excluding grants) has narrowed from 3.3 percent of GDP in 2020 to 2.6 percent of GDP in 2021. In the meantime, Cameroon's external position deteriorated as larger goods imports offset export gains while service deficit worsened due to rising shipping costs. The current account deficit widened from 3.7 percent of GDP in 2020 to 4.0 percent of GDP in 2021.

12. The repercussions from the war in Ukraine are weighing on Cameroon's economy, but macroeconomic conditions are expected to improve gradually. Real GDP growth rate is projected at 3.8 percent in 2022, down from 4.5 percent in the previous DSA. The downward revision reflects a deterioration in the global economic outlook and the rapid increase in food and energy prices casting negative impact on purchasing power and household consumption. In the medium term, growth is expected to gradually improve, averaging 4.8 percent (Text Table 6). Inflation (CPI) is projected to rise to 4.6 percent in 2022 but decline in the following years, averaging below the CEMAC convergence criteria (3 percent) in the medium term. Driven by high commodity prices and large natural gas delivery, the current account deficit is expected to narrow to 2.1 percent of GDP this year, before returning to around 3.1 percent in the medium term. Macroeconomic assumptions underpinning these projections are laid out in Box 1.

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

Medium Term, 2023-2027

- Real GDP growth is projected to average 4.8 percent in the medium term, revised down from 5.0 percent in the previous DSA, reflecting the repercussions from the war in Ukraine. The projection is based on a continued, albeit more gradual recovery from the pandemic, reflecting growing demand from trade partners driving production increase in export-oriented industries, including agriculture and forestry. Following the lifting of social restrictions during the pandemic, activities are expected to continue to increase in the service sector including tourism, hospitality, and transport. The projection also builds on continued implementation of growth-enhancing reforms under the IMF program, including lifting business impediments through a regular consultation with the private sector; revising the law on private investment incentives to promote competition; and revamping customs and port systems to reduce transit time and costs. The risk of COVID-19 resurgence is high given the low vaccination rates (8.6 percent of the eligible population fully vaccinated as of June 7, 2022). However, a large-scale lockdown is not assumed in the baseline as the authorities are strengthening their efforts to boost vaccination (including a new campaign launched in February 2022) and the reported infection rates are decreasing steadily.
- Due to the rising food and energy prices, inflation is projected to rise to the level of 4.6 percent in 2022. Inflationary pressures are expected to gradually subside in the following years as supply shortages ease, while increase in domestic fuel prices could partly offset this trend. Overall, considering BEAC's efforts to curb inflation, and the Cameroonian authorities' fiscal consolidation, inflation is expected to decline gradually, averaging around 2.3 percent in the medium term. This is higher than previously forecasted 2.0 percent but below the CEMAC convergence criteria (3 percent).

[8] As laid out in the previous DSA the projections reflect the rebasing of Cameroon's national accounts from 2005 to 2016, which resulted in an upward revision of 3.6 percent to nominal GDP in 2016.

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

- Fiscal balance is expected to improve more slowly than previously envisaged. Despite the increase in oil revenue driven by higher oil prices, large subsidy payments to cushion the food and fuel price hike, along with heightened wage pressures will offset the revenue gains. In line with the staff proposals in the IMF program, the baseline projection assumes that fuel subsidies will be reduced gradually by increasing fuel pump prices starting in 2023. As a result, subsidies and transfers spending is expected to peak in 2022 at 3.7 percent of GDP and subsequently decrease in the following years reaching at around 2.0 percent of GDP by 2025. Overall fiscal deficit (excluding grants, payment order basis) is expected to average 0.9 percent of GDP, larger than 0.7 percent of GDP projected in the previous DSA.
- The current account balance is projected to improve in the near term, as higher oil and non-oil commodities exports outweigh increase in imports. The current account deficit is expected to widen as oil prices decline, averaging at around 3.1 percent of GDP in the medium term. Net foreign direct investment (FDI) inflows are expected to recover and average 2.3 percent of GDP in the medium term, close to the level observed in 2019.

Long Term, 2028-2042

- Long-term growth has been revised downward to 4.9 percent considering lingering effects from the pandemic and the war in Ukraine. The projection is predicated on a successful implementation of Cameroon's national development strategy, SND-30, that aims to boost growth, including through accelerating structural reforms and strengthening SOE management and oversight, while promoting economic diversification.[1] The strategy also aims to finalize delayed infrastructure projects (Lom Pangar dam, the Memve'ele hydroelectric dam, and a drinking water supply projects), which are expected to boost production in key sectors (agriculture, manufacturing).
- Fiscal revenue is projected to increase, although to a lower level than previously projected, considering a more gradual pace of structural fiscal reforms given the recent shock. The implementation of the Medium-Term Revenue Strategy (MTRS) is expected to boost revenue mobilization. The baseline projection also assumes a gradual fiscal consolidation will continue beyond the program horizon. As a result, overall fiscal deficit is projected at 1.5 percent of GDP.
- Exports of goods and services are projected to decline as a share of GDP to around 15.4 percent of GDP, reflecting falling oil production. The current account is assumed to continue to improve as non-oil exports remain dynamic and imports grow at a lower rate. The strength of non-oil exports is predicated on the success of measures envisaged—under SND-30 and the African Continental Free Trade Area (AFCTA)—to diversify export products, including through a new agency dedicated to export.

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

13. **Baseline projections also reflect policy parameters in the context of the IMF-supported program and PPAs under the World Bank SDFP.** The IMF-supported program envisages a gradual fiscal consolidation path reflecting revenue measures including strengthening tax and customs administrations, streamlining tax exemptions, and recovering tax arrears. It also assumes a gradual fuel subsidy reform and policies to contain other current spending broadly at the current level while improving the efficiency of capital spending. In addition, the baseline projection assumes that Cameroon will continue to remain on track implementing the PPAs on management of fiscal risks and on contracting of non-concessional debt, as part of the government's efforts to address key debt vulnerabilities. These measures will create space to

support spending with higher economic and social impact and strengthen public investment, which would result in a gradual recovery in the medium term, followed by a more benign growth outlook, higher export bases, and stronger revenue mobilization in the long run.

14. Risks remain elevated and tilted to the downside. Prolonged supply disruptions including in energy, seeds, and fertilizers could further constrain Cameroon's growth while adding inflation pressures. Rising food prices could intensify socio-economic tensions and trigger resurgence in regional security conflicts. Higher oil prices could boost fiscal revenues, but their impact on the fiscal balance is likely to be offset by larger subsidy payments. Without adequate fuel price reforms, rising subsidy costs and associated fiscal pressures could crowd out domestic investment and delivery of infrastructure projects necessary for catalyzing growth. New outbreaks of COVID-19 variants and a further increase in global risk premia following the monetary policy tightening in advance countries could also add to the challenges.

15. Financing assumptions have been updated based on the most recent data. Cameroon's public gross financing needs over the 2022-2024 period are estimated at CFAF 4,514 billion (15.5 percent of GDP), of which average 73 percent is assumed to be financed externally.[9] The DSA reflects IMF financing of CFAF 280 billion and prospective budget support from donors amounting to CFAF 480 billion in 2022-2024. The DSA also reflects SDR usage of CFAF 70 billion in 2022 on top of CFAF 50 billion in 2021.[10] These amounts have been reflected in domestic debt through the government finance statistics data. Cameroon participated in the three phases of the Debt Service Suspension Initiative (DSSI) from May 2020 to end-2021 and benefitted from a debt service suspension estimated at CFAF 287.3 billion (about US$ 514 million). External project financing is based on the budget, and the mix of new disbursements is assumed to follow the composition of SENDs as of end-2021. After 2025, the composition gradually shifts towards commercial borrowing, decreasing the grant element.[11] Financing terms for IDA loans were updated to reflect Cameroon's status as a blend county, and account for the new IDA 20 instruments. Financing terms for new bilateral and commercial loans were adjusted to reflect higher interest rates.[12] In line with the previous DSA, domestic financing assumptions reflect gradually increasing share of longer maturity bonds following the authorities' MTDS but adjusted given the lack of sufficient investor base for long-term bonds.

16. Financing assumptions regarding SONARA reflect latest information on debt restructuring. In October 2021, SONARA signed an agreement with the local banks to restructure its debt. Total amount owed to the bank is agreed at CFAF 261 billion, to be repaid over 10 years with an interest of 5.5 percent per year. The DSA reflects this revised repayment schedule, assuming that the difference between the

[9] This is higher than suggested by the authorities' MTDS which indicate external financing shares for the period 2022-2024 as 68%, 66%, 64% respectively.

[10] The Cameroon government uses the allocated SDRs by ceding the SDRs to BEAC, which in turn makes CFAF equivalent amount of funds available to the Cameroon government. The amount of CFAF is calculated by the SDR exchange rate on the date of the transfer. The Cameroon government remains responsible for the SDR interest payments to the Fund. The funds are made available to the Cameroon government after deduction of a provision to cover over 5 years of the charges for the use of SDRs.

[11] SENDs (as of end-2021) are assumed to be fully disbursed by 2026. In the previous DSA, increasing recourse to commercial borrowing was assumed to begin after 2023. This has been revised to account for the impact of tightening global financial conditions.

[12] Interest rates for new bilateral loans and commercial loans were increased by 50bp and 150 bp respectively. Assumptions for old (existing) debt were kept unchanged pending further discussion with the authorities.

restructured amount (CFAF 261 billion) and the end-2020 bank debt (CFAF 287 billion) has been repaid in 2021. As in the previous DSA, letters of credit provided by domestic banks (CFAF 171.8 billion as of end-2021) were excluded from SONARA's debt stock given their short-term revolving nature. Negotiations with external creditors are ongoing, with some early signs of progress. Draft restructuring agreement negotiated with traders has been approved by the CNDP and awaiting feedback from the traders. In addition, the authorities have agreed to prepare a plan for a financial, industrial, and functional restructuring of SONARA (structural benchmark under the IMF program). As the agreement hasn't been finalized, restructuring of SONARA's external debt is not assumed in the baseline. Short-term external debt from external oil traders (CFAF 213 billion) and medium- and long-term external debt due for repayments in 2020 and 2021 (estimated at around CFAF 31 billion respectively) were classified as arrears, reduced by CFAF 54 billion reflecting repayments made by the state.[13] 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 for as part of the fiscal revenue in DSA. 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.

Text Table 6. Cameroon: Key Macroeconomic Assumptions

	2020	2021	2022	2023	2024	2025	2026	2027	2023-2027	2028-2042
Real GDP growth (percent)										
Current	0.5	3.6	3.8	4.6	4.7	5.0	4.9	4.9	4.8	4.9
ECF-EFF 1st review	0.5	3.5	4.5	4.8	5.0	5.1	5.1	5.2	5.0	5.4
ECF-EFF program request	-1.5	3.6	4.6	4.9	5.3	5.4	5.6	5.6	5.3	5.8
Inflation (CPI, period average)										
Current	2.5	2.3	4.6	2.8	2.6	2.1	2.1	2.0	2.3	2.0
ECF-EFF 1st review	2.5	2.3	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0
ECF-EFF program request	2.4	2.3	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Overall fiscal balance (excl. grants, payment order basis, percent of GDP)										
Current	-3.3	-2.6	-2.5	-0.5	-0.6	-0.6	-1.4	-1.5	-0.9	-1.5
ECF-EFF 1st review	-3.3	-3.4	-2.4	-0.6	-0.8	-0.4	-0.6	-1.0	-0.7	-1.6
ECF-EFF program request	-3.4	-3.3	-3.0	-2.4	-2.2	-1.3	-1.4	-1.8	-1.8	-1.6
Total revenue (excl. grants, percent of GDP)										
Current	13.2	13.9	14.9	15.6	15.4	15.4	15.3	15.3	15.4	16.4
ECF-EFF 1st review	13.2	13.6	14.4	15.6	15.9	16.4	17.0	17.0	16.4	17.1
ECF-EFF program request	13.6	14.3	15.1	15.5	16.0	16.6	17.2	17.4	16.5	18.0
Total expenditure (percent of GDP)										
Current	16.6	16.5	17.4	16.1	16.0	16.0	16.8	16.8	16.3	17.9
ECF-EFF 1st review	16.6	17.0	16.7	16.2	16.8	16.8	17.6	18.0	17.1	18.8
ECF-EFF program request	17.0	17.9	18.0	17.7	18.0	17.9	18.6	19.1	18.2	19.3
Current account balance (incl. grants, percent of GDP)										
Current	-3.7	-4.0	-2.1	-2.6	-3.2	-3.3	-3.3	-2.9	-3.1	-2.4
ECF-EFF 1st review	-3.7	-3.4	-2.0	-3.1	-3.2	-3.1	-3.0	-2.8	-3.1	-2.6
ECF-EFF program request	-3.7	-4.0	-3.6	-3.4	-3.2	-2.8	-2.5	-2.3	-2.9	-2.1
Exports of goods and services (percent of GDP)										
Current	17.7	18.2	22.4	20.1	18.2	17.4	16.8	16.4	17.8	15.4
ECF-EFF 1st review	17.7	17.3	19.0	17.4	16.7	16.4	16.2	15.9	16.5	14.7
ECF-EFF program request	18.3	17.6	18.0	17.5	17.5	17.5	17.5	17.4	17.5	15.6
Oil price (US dollars per barrel)										
Current	56.0	69.1	106.8	92.6	84.2	78.5	74.7	72.5	80.5	80.6
ECF-EFF 1st review	56.0	69.8	75.7	70.2	67.3	65.2	63.8	63.1	65.9	70.2
ECF-EFF program request	56.0	58.5	54.8	52.5	51.3	50.7	50.5	50.5	51.1	50.5

Sources: Cameroonian authorities; IMF staff calculations.

[13] These amounts do not reflect negotiations with SONARA's traders. All the short-term external debt (CFAF 213 bn) is classified as arrears. For medium- and long-term external debt (CFAF 155 bn), maturity of 5 years is assumed, resulting in CFAF 31 bn due for repayments each year classified as arrears before any payments are made.

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

18. The forecast error tool indicates different debt dynamics compared to historical developments, suggesting potential challenges (Figure 4). Contribution of the current account and FDI is expected to be much smaller than observed in the past, while the real GDP growth is projected to further draw down external debt. Projected change in the public debt is driven by a negative contribution of primary deficit reflecting fiscal consolidation, and stronger contribution of real GDP growth. The unexpected increase in public debt during the past 5 years is higher compared to other LICs. Large unexplained residuals for past debt-creating flows highlight risks but may be explained by broadened debt perimeter including domestic arrears and SONARA's debt.

C. Country Classification and Determination of Scenario Stress Tests

19. Cameroon's debt carrying capacity remains 'weak'. The CI score based on the April 2022 WEO projections and the 2020 World Bank CPIA score is 2.67, signaling a weak debt-carrying capacity. The CI score from the previous DSA vintage was 2.70 corresponding to a one signal for medium debt-carrying capacity.[14] The lower CI score compared to the previous DSA mainly reflects lower reserves level and world economic growth. (Text Table 7).

20. 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.

Text Table 7. Cameroon: Calculation of the CI Index

Country	Cameroon
Country Code	622
Debt Carrying Capacity	Weak

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Weak	Weak 2.674	Medium 2.695	Weak 2.645

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

[14] Two consecutive signals are needed for a final upgrade on the debt-carrying capacity.

DEBT SUSTAINABILITY

A. External Debt Sustainability

21. External risk of debt distress is assessed high as two indicators breach the thresholds under the baseline scenario (Figure 1 and Table 3). The external debt service-to-exports ratio and the external debt service-to-revenue ratio breach their respective thresholds. The former particularly shows a large and sustained breach, underscoring a fragile liquidity situation. On the other hand, debt service-to-revenue ratio shows gradual downward path due to stronger revenue prospects, declining below the threshold after 2025.

22. Under stress tests, thresholds for all four indicators are breached. Primary balance is the most extreme shock scenario for the PV of debt-to-GDP ratio. The most extreme shock for the PV of debt-to-exports and the debt service-to-exports ratios is the exports shock, under which the latter shows large breaches throughout the projection period. For the debt service-to-revenue ratio, the most extreme shock is the commodity price shock. Historical scenarios point towards exploding PV of debt-to-GDP, PV of debt-to-exports, and debt service 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

23. Overall risk of public debt distress is assessed high as the PV of debt-to-GDP ratio breaches the benchmark under the baseline scenario. However, after a single breach in 2022, the ratio is projected to fall below the benchmark. 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 ratios is the commodity price shock.[15] This contrasts with the previous DSA where the most extreme shock for all the indicators was the combined contingent liabilities shock. The shift is largely driven by the use of a lower estimate for unaccounted SOE debt (see paragraph 3). The historical scenario projects an explosive path for the PV of debt-to-GDP and PV of debt-to-revenue ratios, which is mainly driven by large historical primary deficits compared to projections. As discussed above, baseline projections in this DSA are based on a somewhat more gradual adjustment towards the CEMAC convergence criteria.

C. Market Module

24. 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 7 percent of GDP, which is lower than the suggested benchmark (14 percent). The latest available EMBI spread for Cameroon (306

[15] For the Commodity price shock stress test, initial price drop of 51% for fuel products and 34% for other agricultural commodities is assumed, with a mitigating factor of 14% for fuel products. The gap is assumed to close in 6 years.

as of July 28, 2021) is also below the benchmark (570). With neither indicator breaching thresholds, the module signals low market financing pressures.

D. Risk Rating and Vulnerabilities

25. Cameroon is at high risk of debt distress, but debt remains sustainable. The risk of external debt distress remains high as two out of four indicators continue to breach the thresholds under the baseline scenario. In addition, the PV of public debt-to-GDP ratio is above the benchmark, indicating a high risk of overall debt distress. However, Cameroon's external debt stock indicators continue to lie below the thresholds, and its external debt service indicators have improved thanks to the authorities' active debt management. Moreover, in line with the IMF-supported program objectives, the authorities remain committed to maintaining fiscal consolidation. As such, staff considers there is a high likelihood that Cameroon will continue to meet its current and future financial obligations and assess its debt as sustainable.

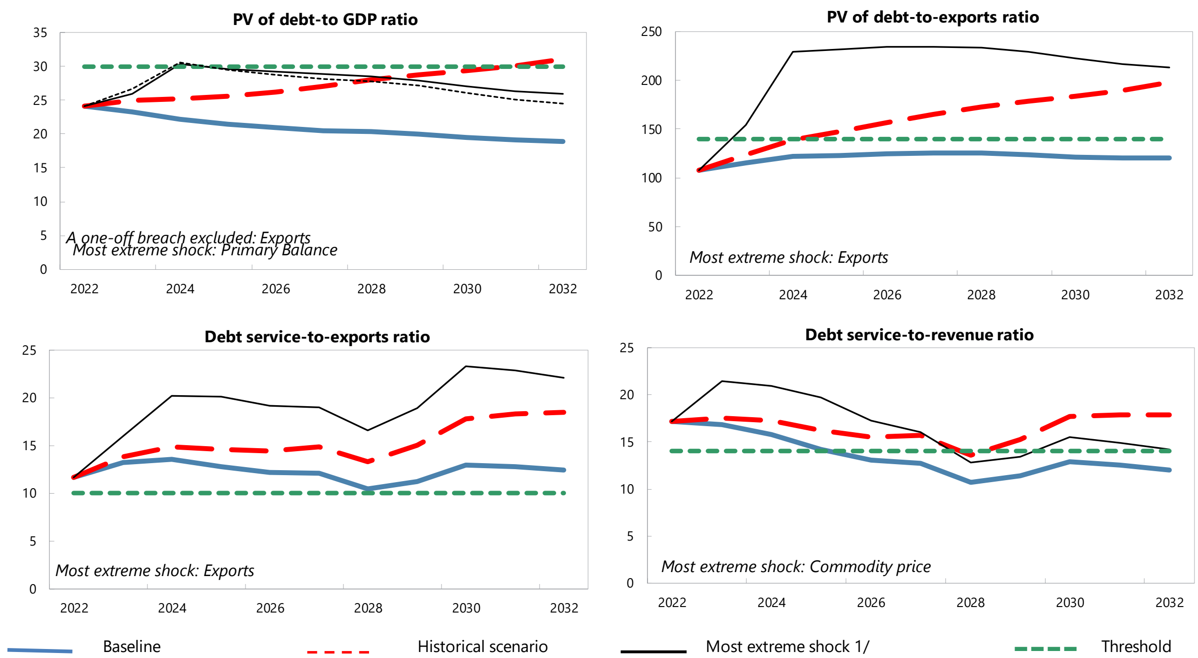
26. This rating is vulnerable to a range of risks. The ongoing war in Ukraine could set back the global recovery and prolong supply disruptions, casting additional pressures on the Cameroonian economy. Rising food and fuel prices could intensify socio-economic tensions, and without successful implementation of reforms, rising subsidy costs could derail Cameroon's fiscal consolidation efforts and/or crowd out necessary investments critical for development. Delayed restructuring of SONARA's debt would further weigh on Cameroon's debt sustainability. Tightening global financial conditions would increase borrowing costs, and less-than-expected exports growth and rising imports could add to the challenges. Given the slow pace of vaccination, a new variant of COVID-19 might resurge, taking a toll on the nascent recovery. 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.

27. Significant efforts are warranted to ensure debt remains on a downward trajectory and sustainability is strengthened. A gradual fiscal consolidation, coupled with reform of the fuel price structure to contain subsidy expenditures, 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. Given the significant share of variable interest rate loans, and rising global interest rates, the authorities will need to closely monitor their debt servicing costs and actively manage their debt portfolio to minimize interest rate risks. Allowing for new non-concessional borrowing would further weaken debt sustainability. 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 needs to be maintained.

Authorities' Views

28. The authorities emphasized that reducing debt vulnerabilities is a key priority to support Cameroon's economic development. They acknowledged that the risk of debt distress remains high and subject to significant downside risks including intensified trade disruptions due to the war in Ukraine, resurgence of the COVID-19, and intensifying socio-political tensions. They concurred on the importance of SONARA's debt restructuring and reiterated their commitment to conclude the negotiations on the restructuring of the debt vis-à-vis the traders as soon as possible. They noted that the tightening of monetary policy in the U.S. has led to an increase in non-concessional borrowing costs. The authorities remain committed to an improvement of Cameroon's debt risk assessment which will depend on continued active debt management, export and tax revenue performance, as well as the country's CI score, which reflects the country's debt carrying capacity.

Figure 1. Cameroon: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2022–2032



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL	No	
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.

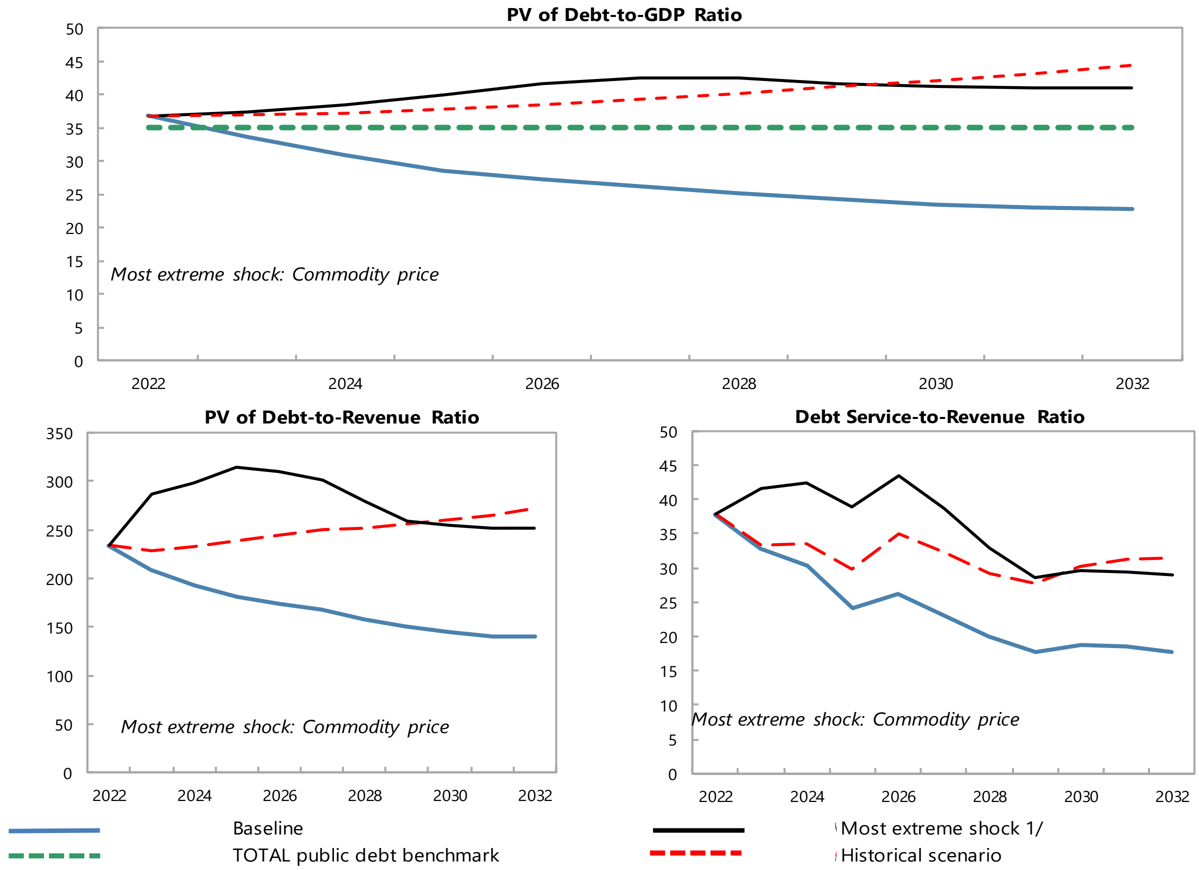
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.4%	2.4%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	21	21
Avg. grace period	5	5

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

Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. 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, 2022–2032



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	74%	74%
Domestic medium and long-term	18%	18%
Domestic short-term	8%	8%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.4%	2.4%
Avg. maturity (incl. grace period)	21	21
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.0%	3.0%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	1
Domestic short-term debt		
Avg. real interest rate	0.7%	0.7%

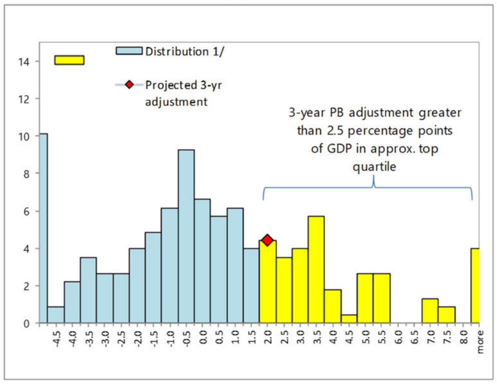
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2032. 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.

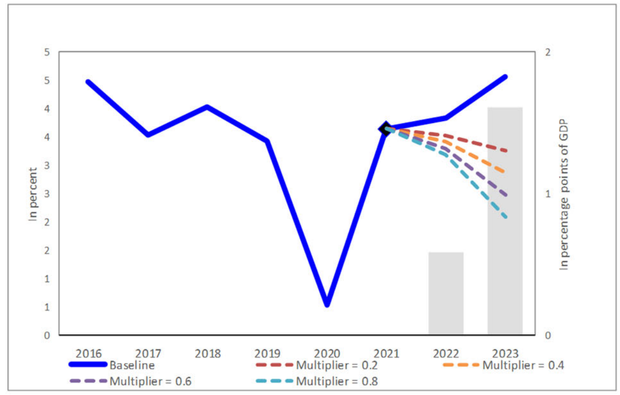
Figure 3. Cameroon: Realism Tools

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



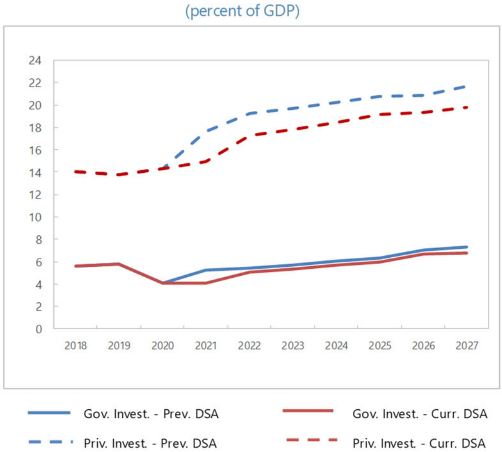
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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)

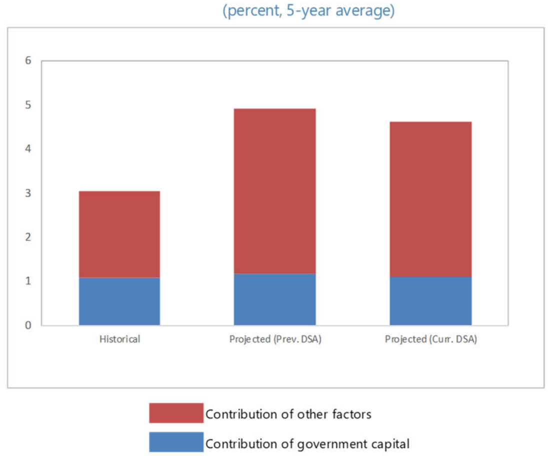
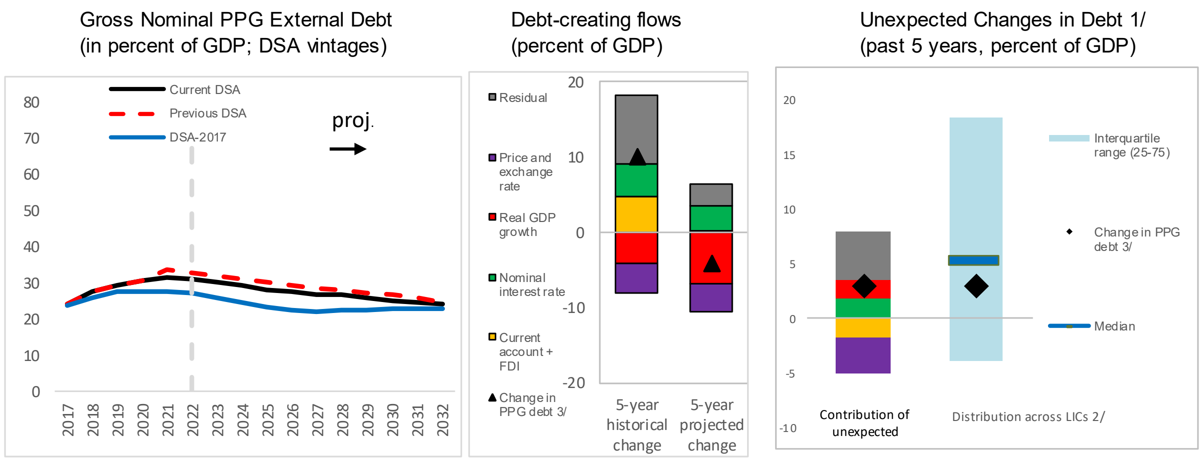
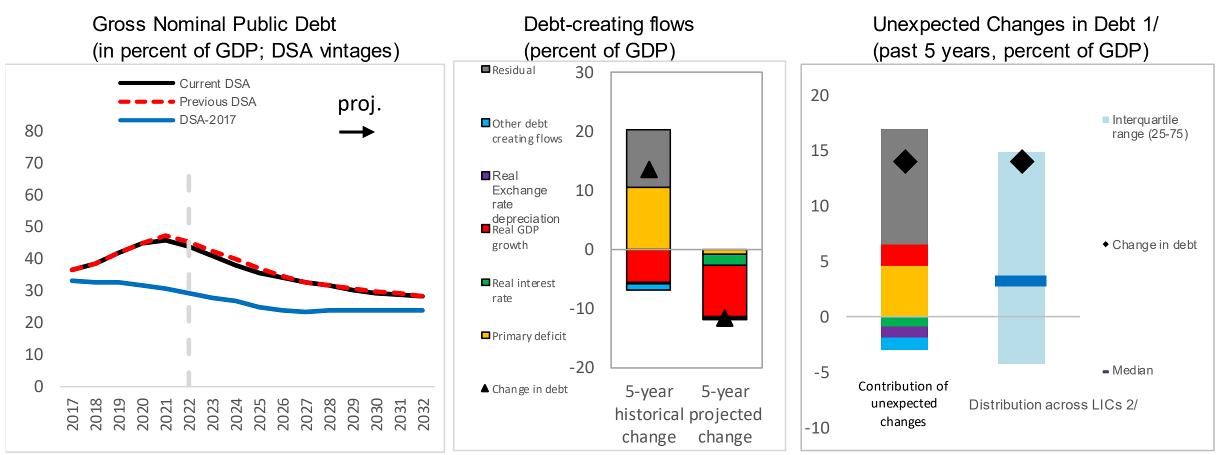


Figure 4. Cameroon: Drivers of Debt Dynamics- Baseline Scenario



Public debt



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

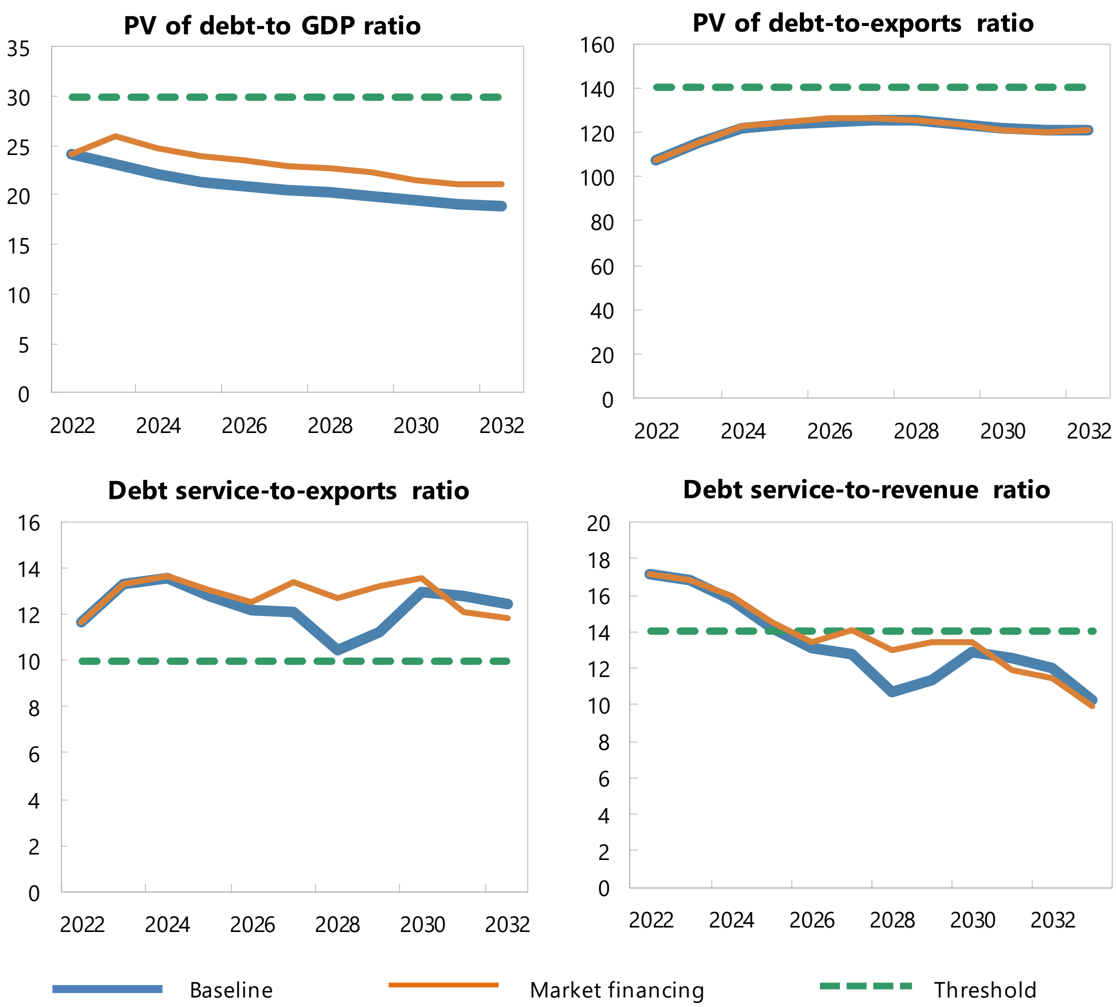
2/ Distribution across LICs for which LIC DSAs were produced.

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	7	306
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.



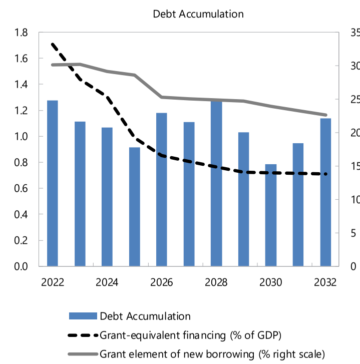
Sources: Country authorities; and staff estimates and projections.

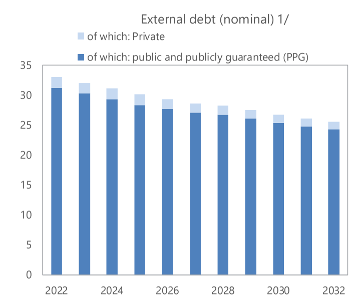
Table 1. Cameroon: External Debt Sustainability Framework, Baseline Scenario, 2019–2042

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
External debt (nominal) 1/	32.9	32.3	33.3	33.0	32.1	31.1	30.1	29.4	28.6	25.5	21.2	24.2	28.9
of which: public and publicly guaranteed (PPG)	29.4	30.5	31.6	31.2	30.3	29.3	28.3	27.7	27.0	24.3	20.5	22.1	27.4
Change in external debt	3.5	-0.6	0.9	-0.3	-0.9	-1.0	-1.0	-0.7	-0.7	-0.5	-1.0		
Identified net debt-creating flows	2.2	1.3	-0.7	-1.0	-0.9	-0.5	-0.5	-0.5	-0.8	-0.8	-0.5	0.6	-0.7
Non-interest current account deficit	3.2	3.1	3.2	1.4	2.0	2.6	2.7	2.7	2.3	2.0	1.5	2.8	2.2
Deficit in balance of goods and services	3.4	2.7	2.9	2.0	2.6	3.2	3.3	3.2	2.9	2.6	2.3	2.7	2.8
Exports	19.5	15.0	18.2	22.4	20.1	18.2	17.4	16.8	16.4	15.7	14.5		
Imports	22.9	17.6	21.0	24.3	22.7	21.5	20.7	20.0	19.3	18.3	16.8		
Net current transfers (negative = inflow)	-1.3	-1.0	-1.2	-1.2	-1.1	-1.0	-1.0	-1.0	-1.0	-1.1	-1.2	-1.1	-1.1
of which: official	-0.3	-0.2	-0.4	-0.4	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3		
Other current account flows (negative = net inflow)	1.1	1.4	1.5	0.7	0.5	0.4	0.4	0.5	0.5	0.4	0.4	1.2	0.5
Net FDI (negative = inflow)	-2.3	-1.5	-1.4	-1.8	-2.1	-2.3	-2.4	-2.4	-2.4	-2.1	-1.6	-2.0	-2.2
Endogenous debt dynamics 2/	1.3	-0.3	-2.4	-0.6	-0.7	-0.8	-0.8	-0.8	-0.7	-0.6	-0.3		
Contribution from nominal interest rate	1.0	0.6	0.8	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6		
Contribution from real GDP growth	-1.0	-0.2	-1.1	-1.2	-1.4	-1.4	-1.4	-1.4	-1.3	-1.2	-0.9		
Contribution from price and exchange rate changes	1.3	-0.8	-2.2	...	...	...	...	...	...	...	...		
Residual 3/	1.2	-1.9	1.6	0.7	0.0	-0.5	-0.5	-0.2	0.1	0.2	-0.6	1.7	0.0
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	...	...	23.4	24.1	23.2	22.3	21.5	21.0	20.6	19.0	16.9		
PV of PPG external debt-to-exports ratio	...	...	129.1	107.7	115.5	122.3	123.7	125.4	125.6	120.9	116.6		
PPG debt service-to-exports ratio	19.3	10.2	16.4	11.7	13.3	13.5	12.8	12.2	12.1	12.5	11.9		
PPG debt service-to-revenue ratio	25.2	11.5	21.0	17.2	16.8	15.7	14.2	13.1	12.7	12.1	9.6		
Gross external financing need (Billion of U.S. dollars)	3.0	1.6	2.4	1.3	1.4	1.7	1.7	1.6	1.5	1.9	3.2		
Key macroeconomic assumptions													
Real GDP growth (in percent)	3.4	0.5	3.6	3.8	4.6	4.7	5.0	4.9	4.9	4.9	4.5	4.1	4.7
GDP deflator in US dollar terms (change in percent)	-4.1	2.4	7.2	-1.3	3.8	4.0	3.0	2.7	2.4	2.0	1.6	0.2	2.2
Effective interest rate (percent) 4/	3.5	1.9	2.7	2.0	2.1	2.1	2.1	2.1	2.2	2.4	2.8	3.2	2.2
Growth of exports of G&S (US dollar terms, in percent)	5.5	-21.0	34.9	26.4	-2.4	-1.2	2.9	4.1	5.1	5.8	5.5	2.2	5.9
Growth of imports of G&S (US dollar terms, in percent)	7.6	-20.7	32.5	18.6	1.1	3.2	4.0	4.2	3.6	5.9	5.9	2.7	5.8
Grant element of new public sector borrowing (in percent)	...	...	...	30.1	30.2	29.1	28.5	25.3	25.0	22.6	17.6	...	26.1
Government revenues (excluding grants, in percent of GDP)	14.9	13.3	14.2	15.2	15.8	15.7	15.6	15.6	15.5	16.2	18.0	14.9	15.8
Aid flows (in Billion of US dollars) 5/	4.6	0.1	0.1	1.0	1.0	1.1	1.0	0.8	0.8	0.8	0.6		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.7	1.4	1.3	1.0	0.9	0.8	0.7	0.4	...	1.0
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	38.2	35.5	35.1	32.4	28.2	28.2	26.0	24.0	...	30.4
Nominal GDP (Billion of US dollars)	40	41	45	47	51	55	60	64	69	96	186		
Nominal dollar GDP growth	-0.8	3.0	11.1	2.5	8.6	8.9	8.2	7.8	7.4	6.9	6.1	4.3	7.1
Memorandum items:													
PV of external debt 7/	...	...	25.1	25.9	25.0	24.1	23.2	22.7	22.2	20.2	17.7		
In percent of exports	...	...	138.3	115.6	124.3	132.0	133.9	135.4	135.3	128.8	121.8		
Total external debt service-to-exports ratio	25.0	16.0	19.6	13.7	14.8	14.9	14.3	13.7	13.6	13.7	12.8		
PV of PPG external debt (in Billion of US dollars)			10.6	11.2	11.7	12.3	12.8	13.5	14.2	18.3	31.5		
(PVt-PVt-1)/GDPt-1 (in percent)				1.3	1.1	1.1	0.9	1.2	1.1	1.1	0.3		
Non-interest current account deficit that stabilizes debt ratio	-0.2	3.7	2.2	1.7	2.9	3.6	3.7	3.4	3.0	2.5	2.5		

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) + Εα (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, Ε=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.

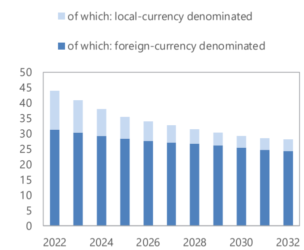
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

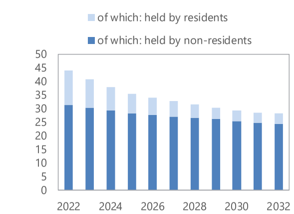
Table 2. Cameroon: Public Sector Debt Sustainability Framework, Baseline Scenario, 2019–2042
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
Public sector debt 1/	41.6	44.9	45.5	44.0	40.8	37.9	35.4	33.9	32.7	28.2	22.5	32.4	33.9
of which: external debt	29.4	30.5	31.6	31.2	30.3	29.3	28.3	27.7	27.0	24.3	20.5	22.1	27.4
Change in public sector debt	3.3	3.3	0.7	-1.6	-3.2	-2.9	-2.5	-1.4	-1.2	-0.4	-0.7		
Identified debt-creating flows	1.9	-0.1	1.6	-2.3	-2.9	-2.6	-2.4	-1.4	-1.3	-0.5	-0.8	1.9	-1.6
Primary deficit	1.9	2.1	1.5	0.9	-0.7	-0.7	-0.6	0.3	0.4	0.8	0.0	2.7	0.1
Revenue and grants	15.5	13.5	14.5	15.7	16.1	16.0	15.8	15.7	15.7	16.3	18.1	15.2	16.0
of which: grants	0.6	0.1	0.3	0.5	0.3	0.3	0.2	0.1	0.1	0.1	0.1		
Primary (noninterest) expenditure	17.5	15.6	15.9	16.6	15.4	15.3	15.2	16.0	16.0	17.1	18.1	17.9	16.1
Automatic debt dynamics	-0.3	-2.2	0.1	-3.2	-2.1	-1.9	-1.8	-1.7	-1.6	-1.3	-0.9		
Contribution from interest rate/growth differential	-1.1	0.2	-2.3	-3.2	-2.1	-1.9	-1.8	-1.7	-1.6	-1.3	-0.9		
of which: contribution from average real interest rate	0.1	0.4	-0.7	-1.5	-0.2	0.0	0.0	0.0	0.0	0.0	0.1		
of which: contribution from real GDP growth	-1.3	-0.2	-1.6	-1.7	-1.9	-1.8	-1.8	-1.7	-1.6	-1.3	-1.0		
Contribution from real exchange rate depreciation	0.8	-2.4	2.5	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	1.4	3.4	-0.9	0.7	-0.3	-0.4	-0.1	0.0	0.0	0.1	0.2	1.1	0.0
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	38.5	36.8	33.6	30.8	28.4	27.2	26.2	22.8	18.9		
PV of public debt-to-revenue and grants ratio	...	...	265.9	234.1	208.2	192.4	180.1	173.3	167.3	140.0	104.7		
Debt service-to-revenue and grants ratio 3/	24.3	49.3	43.5	37.8	32.9	30.3	23.8	25.9	22.9	17.7	12.1		
Gross financing need 4/	7.7	8.7	7.7	6.8	4.6	4.2	3.2	4.4	3.9	3.7	2.2		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	3.4	0.5	3.6	3.8	4.6	4.7	5.0	4.9	4.9	4.9	4.5	4.1	4.7
Average nominal interest rate on external debt (in percent)	2.8	2.1	2.2	2.0	1.9	1.9	1.9	1.9	2.0	2.2	2.7	2.8	2.0
Average real interest rate on domestic debt (in percent)	-1.2	1.0	-1.5	-1.4	1.2	1.1	1.6	1.6	1.4	1.4	2.3	-1.2	1.1
Real exchange rate depreciation (in percent, + indicates depreciation)	3.0	-8.0	8.5	...	...	...	...	...	...	...	...	2.1	...
Inflation rate (GDP deflator, in percent)	1.2	0.5	3.3	4.8	2.4	2.6	2.1	2.0	2.0	2.0	1.6	1.6	2.3
Growth of real primary spending (deflated by GDP deflator, in percent)	6.6	-10.3	6.1	8.0	-2.8	4.1	4.4	10.3	5.0	7.0	5.2	3.3	5.5
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-1.3	-1.2	0.8	2.4	2.4	2.2	2.0	1.7	1.6	1.2	0.7	-0.6	1.7

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, 2022–2032
(In percent)

	Projections 1/										
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
PV of debt-to GDP ratio											
Baseline	24	23	22	21	21	21	20	20	20	19	19
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	24	25	25	26	26	27	28	29	29	**30**	**31**
B. Bound Tests											
B1. Real GDP growth	24	24	24	23	22	22	22	21	21	20	20
B2. Primary balance	24	26	**31**	30	29	29	29	28	27	26	26
B3. Exports	24	27	**31**	30	29	28	28	27	26	25	25
B4. Other flows 3/	24	24	24	23	22	22	22	21	21	20	20
B5. Depreciation	24	29	25	24	24	23	23	23	22	22	22
B6. Combination of B1-B5	24	27	26	25	24	24	23	23	22	22	22
C. Tailored Tests											
C1. Combined contingent liabilities	24	28	27	27	27	26	26	25	25	24	24
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	24	25	26	26	25	25	25	24	23	22	21
C4. Market Financing	24	26	25	24	24	23	23	22	22	21	21
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	108	115	122	124	125	126	126	124	122	121	121
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	108	124	139	**148**	**157**	**165**	**173**	**179**	**184**	**190**	**198**
B. Bound Tests											
B1. Real GDP growth	108	115	122	124	125	126	126	124	122	121	121
B2. Primary balance	108	129	**167**	**171**	**175**	**177**	**176**	**174**	**170**	**167**	**166**
B3. Exports	108	**154**	**230**	**233**	**235**	**235**	**234**	**230**	**223**	**217**	**214**
B4. Other flows 3/	108	119	130	131	133	133	133	132	129	127	126
B5. Depreciation	108	115	110	111	113	113	113	112	111	110	111
B6. Combination of B1-B5	108	136	128	**154**	**157**	**157**	**157**	**155**	**152**	**150**	**150**
C. Tailored Tests											
C1. Combined contingent liabilities	108	140	**150**	**154**	**159**	**159**	**159**	**158**	**155**	**153**	**153**
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	108	136	**155**	**158**	**159**	**157**	**154**	**150**	**145**	**141**	139
C4. Market Financing	108	116	123	125	127	127	126	124	122	121	121
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	**12**	**13**	**14**	**13**	**12**	**12**	**10**	**11**	**13**	**13**	**13**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**12**	**14**	**15**	**15**	**14**	**15**	**13**	**15**	**18**	**18**	**19**
B. Bound Tests											
B1. Real GDP growth	**12**	**13**	**14**	**13**	**12**	**12**	**10**	**11**	**13**	**13**	**13**
B2. Primary balance	**12**	**13**	**15**	**15**	**15**	**15**	**13**	**14**	**17**	**17**	**16**
B3. Exports	**12**	**16**	**20**	**20**	**19**	**19**	**17**	**19**	**23**	**23**	**22**
B4. Other flows 3/	**12**	**13**	**14**	**13**	**12**	**12**	**11**	**12**	**14**	**13**	**13**
B5. Depreciation	**12**	**13**	**14**	**12**	**12**	**12**	**10**	**11**	**12**	**12**	**11**
B6. Combination of B1-B5	**12**	**14**	**17**	**16**	**15**	**15**	**13**	**14**	**16**	**16**	**16**
C. Tailored Tests											
C1. Combined contingent liabilities	**12**	**13**	**14**	**14**	**13**	**13**	**11**	**12**	**14**	**14**	**13**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**12**	**15**	**15**	**15**	**14**	**14**	**12**	**13**	**16**	**16**	**15**
C4. Market Financing	**12**	**13**	**14**	**13**	**13**	**13**	**13**	**13**	**14**	**12**	**12**
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	**17**	**17**	**16**	**14**	13	13	11	11	13	13	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**17**	**18**	**17**	**16**	**15**	**16**	14	**15**	**18**	**18**	**18**
B. Bound Tests											
B1. Real GDP growth	**17**	**17**	**17**	**15**	14	14	11	12	14	13	13
B2. Primary balance	**17**	**17**	**17**	**17**	**16**	**15**	13	**15**	**17**	**16**	**16**
B3. Exports	**17**	**17**	**17**	**16**	**15**	**15**	12	14	**17**	**16**	**16**
B4. Other flows 3/	**17**	**17**	**16**	**14**	13	13	11	12	14	13	13
B5. Depreciation	**17**	**21**	**20**	**17**	**16**	**15**	13	14	**15**	**15**	14
B6. Combination of B1-B5	**17**	**18**	**18**	**16**	**15**	**14**	12	13	**15**	**14**	14
C. Tailored Tests											
C1. Combined contingent liabilities	**17**	**17**	**17**	**15**	**14**	14	12	12	14	13	13
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**17**	**21**	**21**	**20**	**17**	**16**	13	13	**16**	**15**	**14**
C4. Market Financing	**17**	**17**	**16**	**14**	13	**14**	13	13	14	12	12
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)	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	**24.7**

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, 2022–2032

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PV of Debt-to-GDP Ratio											
Baseline	**37**	34	31	28	27	26	25	24	23	23	23
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**37**	**37**	**37**	**38**	**38**	**39**	**40**	**41**	**42**	**43**	**44**
B. Bound Tests											
B1. Real GDP growth	**37**	**35**	34	32	32	31	31	31	31	31	31
B2. Primary balance	**37**	**37**	**41**	**38**	**37**	**35**	34	33	31	31	30
B3. Exports	**37**	**36**	**37**	35	33	32	31	30	29	28	27
B4. Other flows 3/	**37**	34	32	30	29	27	26	25	24	24	24
B5. Depreciation	**37**	**39**	35	31	28	26	24	22	20	19	18
B6. Combination of B1-B5	**37**	**36**	**37**	34	32	31	30	28	27	26	26
C. Tailored Tests											
C1. Combined contingent liabilities	**37**	**41**	**37**	35	33	32	31	30	29	28	28
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**37**	**37**	**38**	**40**	**41**	**42**	**42**	**42**	**41**	**41**	**41**
C4. Market Financing	**37**	34	31	29	27	26	25	24	23	23	23
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	234	208	192	180	173	167	157	150	145	141	140
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	234	228	232	238	244	250	251	256	260	264	271
B. Bound Tests											
B1. Real GDP growth	234	217	213	205	202	201	194	191	189	188	191
B2. Primary balance	234	232	257	242	233	224	211	202	194	188	185
B3. Exports	234	224	234	221	213	206	194	185	176	169	166
B4. Other flows 3/	234	212	201	188	181	175	165	158	151	146	145
B5. Depreciation	234	243	217	196	181	167	150	137	125	115	109
B6. Combination of B1-B5	234	223	230	215	206	197	185	176	168	162	160
C. Tailored Tests											
C1. Combined contingent liabilities	234	252	234	220	212	205	193	185	178	173	171
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	234	286	298	314	310	300	278	259	254	251	252
C4. Market Financing	234	208	193	181	174	168	158	150	145	140	140
Debt Service-to-Revenue Ratio											
Baseline	38	33	30	24	26	23	20	17	19	18	18
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	38	33	33	29	34	32	29	27	30	31	31
B. Bound Tests											
B1. Real GDP growth	38	34	33	26	29	27	23	21	23	23	23
B2. Primary balance	38	33	34	32	34	29	24	22	24	24	23
B3. Exports	38	33	31	25	27	24	21	19	22	21	20
B4. Other flows 3/	38	33	30	24	26	23	20	18	19	19	18
B5. Depreciation	38	34	34	27	29	26	22	20	22	21	20
B6. Combination of B1-B5	38	32	33	29	31	26	21	18	19	19	18
C. Tailored Tests											
C1. Combined contingent liabilities	38	33	36	30	32	25	22	19	20	20	19
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	38	42	42	38	43	38	32	28	29	29	29
C4. Market Financing	38	33	30	24	26	24	22	19	19	18	17

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

Statement by Mr. Andrianarivelo, Mr. Sylla, and Mrs. Raoilisoa Andrianometiana on Cameroon

July 25, 2022

Our Cameroonian authorities appreciate the candid discussions held with staff during the second reviews under the Extended Credit Facility and Extended Fund Facility (ECF/EFF) arrangements. They highly value their engagement with the IMF and greatly appreciate the Fund's policy advice and technical assistance which have contributed to the improvement of macroeconomic policies and management. Our authorities welcome the pertinent analysis on food and fuel prices provided in the report, which highlights key issues of interest and provide pertinent policy advice in the current environment. They remain firmly committed to the program objectives consistent with the national development strategy SND-30 and determined to advance structural reforms towards sustained and inclusive growth. Cameroon being the first economy of the region, the authorities also reiterate their commitment to the CEMAC objective of safeguarding internal and external stability through the strengthening of the common regional foreign reserves.

Cameroon has made significant efforts to implement the economic and financial reform program supported by the ECF/EFF arrangements. The authorities have shown strong commitment to ensuring transparency and accountability on the management of Covid-related spending, including the completion of audit report, the publication of the 2021 budget execution report as well as the publication of procurement contracts and beneficial ownership. In addition, they are committed to a transparent use of the August 2021 SDR allocation, which have helped mitigate the socio-economic impact of the pandemic as well as rising prices. Out of the SDR 264.5 million allocation received, 57% have been used in fiscal years 2021-2022, and the remaining 43% as a buffer to boost regional fiscal and external sustainability.

Recent Developments and Outlook

The economy has shown resilience despite challenging socio-political situation in some areas of the country, the heavy fiscal burden of fighting terrorism and jihadism from neighboring countries, the impact of the Covid-19 pandemic, and more recently the spillover effects of the war in Ukraine. Real GDP growth reached 3.6 percent in 2021, driven by stronger domestic demand and favorable external environment. The fiscal deficit narrowed to 2.4 percent of GDP as a result of fiscal consolidation measures aimed at restraining expenditure and increasing non-oil revenue. Public debt has increased somewhat but remains under control and sustainable, albeit at high risk of debt distress.

The outlook for 2022 and the medium term remains broadly positive despite elevated uncertainty, notably on the duration of the conflict in Ukraine and the evolution of the pandemic. Real GDP growth is projected to reach 3.8 percent in 2022 and 4.6% in 2023, assuming that the pandemic will gradually wane. Inflation is projected at 4,7% in 2022 due to higher prices for foods staples but will remain below the CEMAC convergence criterion of 3% over the medium term.

Program Performance

The country's macroeconomic performance under the ECF/EFF arrangements has been satisfactory, notwithstanding the challenging domestic and external environment. All periodic and continuous quantitative performance criteria (QPCs) and most indicative targets (ITs) under the second review have been met. The ceilings on *Société Nationale des Hydrocarbures* (SNH) direct intervention, the share of spending executed through exceptional procedure have been breached, mainly to meet the need for security-related spending, but the trend remains downward. The ceiling on the accumulation of domestic arrears following the increased fuel subsidies which should be prioritized for payment.

The implementation of structural measures under the program is also proceeding albeit with delay with four out of nine structural benchmarks met. The authorities have strengthened the format of consultations between the public and private sectors, in line with the recommendations of the Cameroon Business Forum. They have also finalized the diagnostic study of the pension system, published the execution report of expenses related to covid 19 and executed during 2021 fiscal year. The finalization and publication of the circular institutionalizing governance by program contract to improve the performance of public enterprises was met with some delay. The completion of the remaining structural benchmarks is in progress and the date for their completion has been rescheduled at the time of the first review.

Fiscal Policy and Reforms

The government remains firmly committed to pursuing growth-friendly fiscal consolidation with the view to preserving public finances sustainability while guaranteeing the sound implementation of SND 30 and the post-Covid-19 economic recovery plan. The fiscal authorities' goal is to reduce the overall budget deficit from 2.4% of GDP in 2021 to 0.3% of GDP by 2024. To this end, a particular emphasis will be placed on mobilizing non-oil domestic revenue, as well as on controlling and improving public expenditure efficiency while protecting priority social spending. The authorities will also develop a medium-term revenue strategy supported by a Fund technical assistance, which will cover both tax administration and tax policy.

Cameroon is facing the difficult trade-offs between controlling public debt, preserving the recovery, investing in development infrastructures, and protecting the most vulnerable. While the rising oil prices has led additional oil revenue of 0.5 percent of GDP compared to the initial projection, the increase in revenue was not sufficient to offset the surge in the cost of fuel subsidies to contain the rise of fuel pump price and the inflationary spiral. As a result of this constraint, the authorities opted to reduce capital and other current expenditures. To ensure the food security of the most vulnerable groups, the government, with the support of the World Bank and the African Development Bank, also plans to provide a targeted subsidy for the acquisition of fertilizers to improve crop yields on alternative food crops, especially maize, rice, sorghum, and soybeans.

The authorities are fully aware of the significant risk to fiscal sustainability posed by higher international oil price. They concur with staff on the need to gradually reduce fuel subsidies while limiting the impact on the most vulnerable. However, given the fragile socio-political environment, alongside growing food price and rising risk of food insecurity, putting in place appropriate targeted measures to mitigate the impact on the poor remains their top priority before proceeding with any price adjustment. To this end, they requested technical support from the IMF and other partners, including the World Bank, to help them with the identification of vulnerable groups and the implementation of a well targeted subsidy program. They call for continued flexibility to avert social crises that could jeopardize the program objectives. Meanwhile, the government have authorized an additional allocation in the 2022 revised budget law, which will cover the fuel subsidy cost as well as additional social spending.

In line with Cameroon's public finance reform program, the government is pursuing reforms aimed at improving the quality of public expenditure and cash flow management. The authorities will continue implementing reforms to improve project selection, planning, and execution to enhance the effectiveness and efficiency of public investment. To avoid the recurrence of arrears, they will strengthen cash flow management and continue to improve treasury operations, including the operationalization of the Treasury single account (TSA) in liaison with the regional central bank (BEAC). In addition, the authorities will adopt realistic expenditure commitment plans, which should be used to prepare credible monthly cash flow plans and redouble their efforts to curtail the use of exceptional procedures.

Debt policy and management of contingent liabilities

The authorities are determined to improve public debt sustainability. These include notably containing the pace of new non-concessional borrowing while prioritizing concessional loans. They 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, also set in the 2022 revised budget law. To improve debt management, the government reaffirms the central role of the national public debt committee (CNDP), which approval is required for all borrowing proposals. Moreover, the medium-term debt strategy will remain focused on preparing coherent annual borrowing plans and strengthening the communication strategy.

The government will continue to strengthen the management and governance of SOEs to improve public service delivery and limit fiscal risks. In this regard, the authorities will pursue policy geared towards signing performance contracts specifying public service obligations, gradually reducing subsidies to non-performing SOEs, listing large enterprises in the industrial sectors on stock market, and clearly identifying the public service mission of the public enterprise. In addition, the government have adopted a circular institutionalizing governance by performance contracts to improve the performance of the public enterprises concerned. These performance contracts and their evaluation reports will be published regularly on the official website of the Ministry of Finances.

On SONARA, the authorities have made substantial efforts to advance its debt restructuring process. They have reached an agreement with banks and most of the traders. In addition, they are resolutely determined to tackle SONARA's structural issue and put the company on a sound financial footing in accordance with the recommendations of the Inter-ministerial Committee approved by the President of the Republic. A timetable with a progress report and a business plan will be produced for this purpose (structural benchmark at the end of March 2023).

Financial Sector Policies

Cameroon remains committed to the stability of the monetary union and a viable financial sector. The country contributes significantly to the rebuilding of BEAC's international reserves and is committed to ensuring that all aspects of the new foreign exchange regulations under its jurisdiction are enforced, including in the oil sector. In this regard, the Ministry of Finance will establish a data exchange platform for the BEAC, banks, the Treasury and Customs to facilitate the control and monitoring of the repatriation of export proceeds and financial transactions with the rest of the world.

Strengthening the stability of the banking sector and reducing nonperforming loans also rank high in the authorities' agenda. Plans to restructure the two banks in difficulty by the end of December 2022, consistent with the deadlines set by COBAC, are advancing. Moreover, the government will also encourage banks and financial institutions to systematically submit data to the national personal property security directory (RNSM) and strengthen the operation of the State Asset Management Company (SRC).

Governance

The Cameroonian government is attentive to the importance of strengthening measures to promote good governance, enhance transparency, and address corruption. They have completed the transparency and accountability requirements regarding the management of Covid-related spending for FY 2020 and committed to fulfilling the requirements for FY 2021. With the Fund's technical assistance, Cameroon will conduct a diagnostic of vulnerabilities in governance that would include state functions that are most relevant to economic activity. The government will also prepare an action plan to strengthen the Supreme court's audit bench by the end of 2022.

Structural reforms

The authorities remain determined to advance reforms needed to improve productivity and promote economic diversification, reinforce good governance, strengthen transparency and anti-corruption efforts, as well as stepping up measures for climate change adaptation and mitigation. The authorities are resolved to tackle the structural obstacles that hamper further private sector development and economic diversification. Moreover, under SND30, Cameroon is committed to stepping up measures to adapt and mitigate climate change effects to ensure inclusive and durable growth. The country is among the ones that signed the Glasgow Declaration on forests and land use during CoP 26, aimed at stemming and reversing the loss of forests and land degradation by 2030. To this end, Cameroon has undertaken measures to restore approximately 12 million hectares of degraded land under the AFR 100 Initiative.

Conclusion

Our Cameroonian authorities have demonstrated strong resolve in implementing their policy and reform program in support of their development agenda and the regional strategy, amid challenging circumstances. Going forward, their remain fully committed to putting in place policies and reforms that are consistent with the program objectives. They would greatly appreciate Director's support for the completion of the second review under the ECF/EFF-supported program. They also request waivers for performance criteria applicability as the data on the PC for end June 2022 will not be known before the Executive Board meeting and the modification of performance criterion.