INTERNATIONAL MONETARY FUND

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CAMEROON

March 2023

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

In the context of the Third Reviews Under the Extended Credit Facility and the Extended Fund Facility Arrangements, and Requests for Waivers for Performance Criteria and Modification of Performance Criteria, 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 March 8, 2023, following discussions that ended on January 27, 2023, 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 February 27, 2023.
- A **Debt Sustainability Analysis** prepared by the staff[s] of the IMF and the World Bank.
- A **Statement by the Executive Director** for Cameroon.

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

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PRESS RELEASE

PR23/64

IMF Executive Board Concludes Third Reviews of Extended Credit Facility and Extended Fund Facility Arrangements for Cameroon and Approves US$73 million disbursement

FOR IMMEDIATE RELEASE

- The IMF Executive Board completed the Third Reviews of the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) arrangements, enabling Cameroon to draw the equivalent of US$73 million in disbursements from the IMF.
- The economic recovery is underway amid increased challenges in an uncertain global environment, with growth estimated at 3.4 percent in 2022, supported by higher oil prices and non-oil production.
- Sustained reform implementation will be needed to create additional fiscal space for productive investment and social spending and to move toward inclusive and resilient growth.

Washington, DC – March 8, 2023: The Executive Board of the International Monetary Fund (IMF) concluded today the Third Reviews of the three-year arrangements under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) with Cameroon, which were approved on July 29, 2021 for SDR 483 million (about US$689.5 million, or 175 percent of quota). This will allow disbursement of SDR 55.2 million (about US$73 million), bringing total disbursements under the arrangements to SDR 317.4 million (around US$420 million).

Cameroon's recovery is underway amid increased challenges in an uncertain global environment. Growth is estimated at 3.4 percent in 2022, supported by higher oil prices and non-oil production. Headline inflation is estimated at 6 percent at end-2022. The overall fiscal deficit improved from 3 percent of GDP in 2021 to around 1.8 percent in 2022 reflecting higher oil revenues, while the non-oil primary deficit deteriorated from 3.9 percent of GDP in 2021 to 4.5 percent in 2022 mainly due to increased fuel subsidies. Real GDP growth is projected at 4.3 percent in 2023 and should average 4.5 percent in the medium term.

In completing the reviews, the Executive Board approved waivers of nonobservance for two performance criteria: (i) The floor on the non-oil primary balance at end-December 2022 was missed due to higher oil prices and currency depreciation leading to higher spending on the fuel subsidy; and (ii) The continuous zero ceiling on the accumulation of new external payments arrears was missed following delayed debt service payments due to end-year cash management issues, which have already been cleared. These waivers of nonobservance were approved due to the corrective actions taken by the authorities, and the temporary nature of the non-observance, respectively. In addition, the Executive Board approved a waiver of applicability for three end-December 2022 performance criteria, for which data are not yet available, and there is no evidence that they were not observed.

At the conclusion of the Executive Board's discussion, Ms. Antoinette Sayeh, Deputy Managing Director and Acting Chair, made the following statement:

“Cameroon’s economy proved resilient to the COVID-19 pandemic, and the recovery has continued. However, the country is now faced with increased challenges in an uncertain global environment, underscoring the need for resolute reform implementation. The Fund-supported arrangements have enabled the authorities in sustaining macroeconomic stability and growth in a challenging context. Structural reforms need to be accelerated to strengthen medium-term external and fiscal sustainability and move Cameroon toward inclusive and resilient growth through a diversified economy. The country’s medium-term outlook remains favorable.

“Cameroon’s performance under the program is mixed. Two of the six quantitative performance criteria at end-December 2022 and three of the five indicative targets at end-June and end-September 2022 were missed. While important steps have been taken to advance long delayed structural reforms, progress is lagging in some key areas. The authorities have resolved to implement corrective measures to address missed targets and accelerate reforms more broadly.

“The authorities are committed to sustaining their fiscal consolidation to help achieve macroeconomic stability, while building the foundations for inclusive and resilient growth. They have taken the decision to reduce fuel subsidies accompanied by measures to mitigate the social impact. Mobilizing additional domestic non-oil revenue, improving public financial management, and further efforts to reduce fuel subsidies will make additional room for productive investment and social spending. Mitigation measures to protect the vulnerable will be critical. Resolving and preventing external and domestic arrears and seeking concessional financing are also important.

“To unlock Cameroon’s abundant growth potential, effective and resolute implementation of structural reforms in the National Development Strategy is essential. In this regard, further steps are needed to enhance investment efficiency, strengthen financial inclusion, and improve the business climate. This should be accompanied by strengthening transparency, governance, and the anti-corruption framework, as well as ensuring financial sector stability.”

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

	2021	2022		2023		2024	2025	2026	2027
	Est.	2nd Rev.	Est.	2nd Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)								
National account and prices									
GDP at constant prices	3.6	3.8	3.4	4.6	4.3	4.4	4.5	4.6	4.7
Oil GDP at constant prices	-3.2	4.2	-5.1	-3.0	0.7	1.1	0.3	0.3	0.3
Non-Oil GDP at constant prices	3.8	3.8	3.6	4.8	4.4	4.5	4.6	4.7	4.8
GDP deflator	3.3	4.8	4.6	2.4	4.8	4.3	3.0	2.0	2.0
Nominal GDP (at market prices, CFAF billions)	25,158	27,389	27,210	29,325	29,749	32,393	34,866	37,226	39,777
Oil	801	1,187	1,073	1,090	907	862	814	777	747
Non-Oil	24,357	26,201	26,137	28,235	28,841	31,531	34,052	36,449	39,030
Consumer prices (average)	2.3	4.6	5.3	2.8	5.9	4.7	3.0	2.3	2.0
Consumer prices (eop)	3.5	4.1	6.0	2.9	5.7	3.7	2.3	2.1	2.0
Money and credit									
Broad money (M2)	17.2	15.6	11.4	10.1	8.1	9.9	8.0	7.1	8.2
Net foreign assets 1/	4.3	5.1	7.7	4.0	1.0	1.8	2.3	2.9	2.8
Net domestic assets 1/	12.9	10.5	3.6	6.1	7.0	8.1	5.7	4.2	5.4
Domestic credit to the private sector	9.7	9.1	13.6	12.4	8.8	7.4	7.1	6.9	6.7
	(Percent of GDP, unless otherwise indicated)								
Savings and investments									
Gross national savings	14.0	16.3	15.9	17.3	15.9	16.6	17.9	19.0	20.4
Gross domestic investment	17.9	18.4	17.4	20.0	18.8	19.6	20.6	21.6	22.8
Public investment	4.5	5.2	5.2	5.4	5.0	5.4	5.7	6.3	6.9
Private investment	13.4	13.2	12.2	14.6	13.8	14.1	14.8	15.2	16.0
Central government operations									
Total revenue (including grants)	14.0	15.4	16.1	15.9	15.5	15.3	15.2	15.2	15.4
Oil revenue	1.9	2.9	3.6	2.7	2.8	2.2	1.8	1.7	1.6
Non-oil revenue	11.8	12.0	12.0	12.8	12.4	12.8	13.1	13.4	13.7
Total expenditure	16.9	17.4	18.0	16.1	16.2	16.0	15.5	15.9	16.4
Overall fiscal balance (payment order basis)									
Excluding grants	-3.2	-2.5	-2.4	-0.5	-1.1	-0.9	-0.5	-0.8	-1.2
Including grants	-3.0	-1.9	-1.8	-0.2	-0.8	-0.6	-0.3	-0.7	-1.1
Overall fiscal balance (cash basis)									
Excluding grants	-2.7	-3.0	-2.8	-1.0	-1.6	-1.4	-0.9	-1.1	-1.2
Including grants	-2.4	-2.5	-2.3	-0.7	-1.3	-1.1	-0.7	-1.0	-1.1
Non-oil primary balance (payment order basis)	-3.9	-4.0	-4.5	-2.2	-2.4	-1.7	-1.1	-1.4	-1.6
External sector									
Trade balance	-1.1	-0.7	0.4	-1.3	-1.3	-1.4	-1.3	-1.2	-1.2
Oil exports	4.9	7.5	7.1	6.0	5.4	4.9	4.5	4.2	4.0
Non-oil exports	8.3	9.4	8.9	8.7	8.0	7.6	7.7	7.8	8.0
Imports	14.4	17.6	15.7	16.0	14.7	13.9	13.5	13.2	13.1
Current account balance									
Excluding official grants	-4.2	-2.6	-2.2	-3.0	-3.2	-3.0	-2.8	-2.6	-2.5
Including official grants	-4.0	-2.1	-1.6	-2.6	-2.8	-3.0	-2.6	-2.5	-2.5
Terms of trade	9.4	7.1	3.6	-7.1	-8.4	-1.9	-2.6	-2.1	-0.9
Public debt									
Stock of public debt	46.8	44.0	46.4	40.8	42.8	40.4	38.5	37.5	37.2
Of which: external debt	31.7	31.2	32.7	30.3	30.5	29.7	29.1	29.2	29.4

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

INTERNATIONAL MONETARY FUND

CAMEROON

February 27, 2023

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

Context. Cameroon, a fragile and conflict affected state, proved resilient to the COVID-19 shock but is now facing increased challenges in an uncertain global environment. The recovery, which was supported by higher oil prices and non-oil production in 2021, continued in 2022, against the backdrop of Russia's war in Ukraine, inflationary pressures, supply chain disruptions, and tight global financial conditions. Cameroon has successfully completed two reviews since the approval in July 2021 of the 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 quota). Completion of the third review will allow the total disbursement of SDR 55.2 million (about US$73.3 million).

Policy discussions. The third ECF/EFF review discussions focused on policies to: i) maintain a fiscal consolidation path consistent with the program, including a) a substantial reduction in the fuel subsidy through a retail fuel price adjustment in early 2023, accompanied by measures to mitigate the social impact, and elimination of the subsidy in the medium term; and b) an increase in non-oil revenue mobilization to create fiscal space for productive expenditures and social protection; ii) accelerate structural fiscal reforms; iii) strengthen debt sustainability; iv) reinforce governance and strengthen transparency and anti-corruption efforts, and iv) accelerate structural reforms to support private sector-led inclusive growth and boost financial sector resilience.

Program performance. Program performance is mixed, as fiscal measures to mitigate cost-of-living strains have placed pressure on public finances. While all quantitative performance criteria (QPCs) at end-June 2022 were met, the floor on the non-oil primary balance (NOPB) at end-December 2022 and the continuous QPC on the non-accumulation of external arrears were missed (MEFP, Table 1). In addition, three of the five indicative targets (ITs) were missed both at end-June and end-September, namely, the ceilings on the direct interventions of the National Hydrocarbons Company (SNH), the share of spending through exceptional procedures, and the net accumulation of domestic payment arrears. The authorities attribute breaches on SNH's direct interventions and the share of spending using exceptional procedures largely to security spending. They adopted corrective measures to address the missed quantitative targets and the repeatedly missed indicative targets. Progress on structural reforms continues with delays (MEFP, Table 2). Of the 14 structural benchmarks (SBs) for the third review, seven have been completed, of which five with some delay, and two SBs were missed for reasons beyond the authorities' control. The prior action on increasing domestic fuel prices has been met. The authorities request waivers of nonobservance of an end-December 2022 QPC (i.e., floor on the non-oil primary balance) and the continuous QPC on non-accumulation of external arrears and waivers of applicability for three other QPCs given end-year data delivery lags.

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

An IMF team comprising Ms. Sancak (Head), Ms. Nkhata, Ms. Isakova, (all AFR), Messrs. Tressel (MCM), Sarr (FAD), Huang (SPR), Staines (Resident Representative), and Messrs. Tchakote and Ambassa (local economists) held discussions with the authorities in person in Yaoundé and virtually, during January 5-27, 2023. Research assistance was provided by Mr. Cai and administrative assistance by Ms. Biloa (AFR).

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ANNEXES

APPENDIX

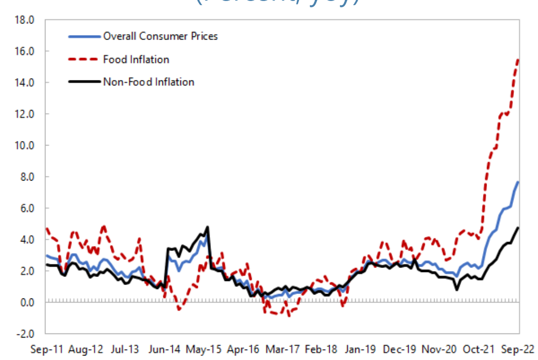
RECENT ECONOMIC DEVELOPMENTS, OUTLOOK, RISKS, AND PROGRAM PERFORMANCE

A. Recent Economic Developments

1. **Economic recovery continued in 2022, at a slightly slower pace than envisaged.** Growth projections for 2022 have been revised downward to 3.4 percent compared to 3.8 percent during the second review. This revision reflects spillovers from Russia's war in Ukraine, inflationary pressures, supply chain disruptions, tight global financial conditions, and the security crisis in certain regions. It also reflects developments in the oil and gas sector.

2. **Headline inflation is expected to reach 6 percent at end-2022, from 3.5 percent at end-2021.** The main driver, representing around 40 percent of the CPI basket, has been domestic food prices, which rose with both unfavorable climatic conditions and security issues, while non-food and non-energy prices also increased. In addition, import prices have increased driven by high shipping costs and international developments. In response, the authorities have taken costly measures to prevent the pass-through to domestic prices, including retail fuel prices freezes, temporary customs duty exemptions, and reducing the cost of freight included in the customs value. Staff recommended phasing out costly temporary tax measures and price controls.

Text Figure 1. Cameroon: Inflation (2011-22)
(Percent, yoy)



Source: Country authorities and IMF staff calculations.

3. **Prolonged shortages and soaring food and agricultural input prices (e.g., seeds and fertilizer) have raised food security concerns.** The authorities are keen to avoid a repeat of the violent protests due to the high cost of living in 2008. They plan to provide targeted subsidies for fertilizers to improve crop yields and encourage alternative food crops with the support of the World Bank) and the African Development Bank (AfDB). The authorities introduced export bans on some goods, such as rice, and refined oil. Staff emphasized the need to avoid export restrictions that may harm food security, especially in import-dependent countries.

4. **Private sector credit growth is accelerating, led by the trade and hospitality sectors.** Credit to customers increased (6.0 percent) with only a modest increase in deposits (0.8 percent) from end-December 2021 to end-October 2022. Private sector credit growth is driven mainly by the increased need for trade credit following the dollar's appreciation. Risks appear contained as the number of banks in compliance with the main prudential standards has increased.

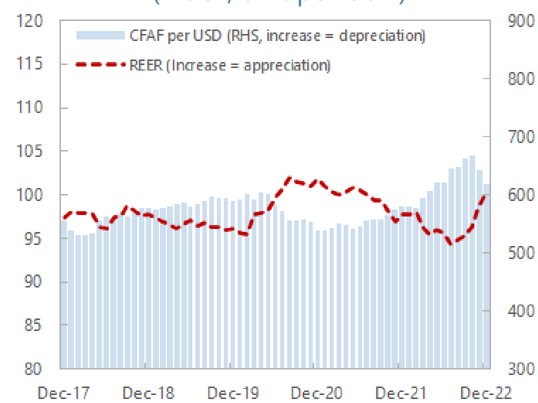
5. **BEAC has tightened its policy stance.** In response to rising inflation in the CEMAC region, BEAC increased its policy rates in March and September 2022 by 1 p.p. to 4½ percent. It has also

increased the interest rate on the liquidity absorption window in February 2022 to reduce excess liquidity in the banking system and reduced weekly liquidity injections in July 2022.

6. The external position improved, reflecting favorable terms of trade and REER depreciation (Text Figure 2). The current account deficit is estimated to narrow from 4.0 percent of GDP in 2021 to 1.6 percent in 2022, reflecting higher global hydrocarbon prices and REER depreciation, despite higher inflation and import prices.

Text Figure 2. Cameroon: Exchange rates (2017-22)

(Index, unit per USD)



Source: International Financial Statistics and IMF staff calculations.

7. Fiscal performance reflects both external developments and policy measures. Fiscal revenues from higher oil prices financed increased fuel subsidies in the absence of a fuel price adjustment. While the overall deficit improved from 3 percent of GDP in 2021 to 1.8 percent of GDP in 2022, the non-oil primary balance (NOPB) deteriorated from 3.9 to 4.5 percent of GDP.

8. Cameroon remains at high risk of debt distress. Its debt sustainability analysis (DSA) indicators deteriorated compared to the previous DSA, mainly due to external shocks, including a weaker exchange rate, and domestic factors such as lower growth projections. Two out of four indicators breach the thresholds under the baseline scenario (¶28 and DSA).

9. An updated safeguards assessment of the BEAC was completed in April 2022. Findings indicated that the BEAC maintained strong governance arrangements and transitioned successfully to International Financial Reporting Standards. Recommendations included the need to strengthen the internal audit and risk management functions, as well as the cyber resilience and business continuity framework. Since then, the BEAC has made progress towards implementing most safeguards recommendations. The BEAC is strengthening the internal audit practice through capacity reinforcement and an envisaged external quality assessment, and steps are also being taken to evaluate its cyber resilience. Staff is continuing to engage with the authorities on other recommendations.

B. Outlook and Risks

10. Medium-term prospects remain favorable provided reforms continue. Real GDP growth is projected at 4.3 percent in 2023 and should average 4.5 percent in the medium term, driven by the Liquefied Natural Gas (LNG) sector, primary sector (forestry and logging) and services (primarily in financial, trade and repair, transport, information, and communication services). Inflation is expected at about 6 percent by end-2023 following retail fuel price adjustment and should decline below 3 percent in the medium term.[1] The current account deficit would widen to about 3 percent of GDP in 2023 and remain below 3 percent of GDP in the medium term while the public debt-to-GDP ratio would decline below 40 percent by 2025.

11. The outlook is subject to considerable downside risks (Risk Assessment Matrix, Annex I) in the near term, including:

- Global developments, including recession and a prolonged war in Ukraine, which would further slow growth and exacerbate supply disruptions.
- High food, fertilizer, and energy prices, and supply disruptions, which would maintain inflationary pressures.
- Lower global hydrocarbon prices, global energy prices could lower export and fiscal revenue and further constrain policy space.
- Tighter global financial conditions, with uncertain availability of concessional financing, and rollover risks, which would threaten debt sustainability.
- Climate-related shocks, which could worsen food insecurity, political instability, and conflicts.

12. Risks are mitigated. Cameroon has a strong record of implementing macroeconomic programs, close engagement with donors, and a comprehensive CD program, well-aligned with the program objectives (Annex III). In addition, the authorities are committed to adopting contingency measures to achieve program objectives, including a revised budget.

C. Program Performance

13. Quantitative performance is mixed.

- **Quantitative performance at end-June 2022 was broadly on track (MEFP, Table 1).** All quantitative performance criteria (QPCs) were met, while three indicative targets (ITs) were missed, namely the ceilings on direct interventions of SNH, the share of spending executed through exceptional procedures, and the net accumulation of domestic payment arrears.
- **Three of five ITs were missed at end-September 2022 (MEFP, Table 1).** Though trending downwards, the SNH direct interventions and the share of spending using exceptional procedures continued to exceed the targets. This reflects security spending, higher compensation of traders due to significant increases in oil import prices, with fixed retail prices, as well as the introduction of a new budget classification in early 2022.

[1] Inflation projection in 2023 reflects staff's assumptions on the impact of the retail fuel price increase, estimated at around 2 p.p. by end-year.

- **Two QPCs were missed.** The floor on the NOPB at end-December 2022 was missed, mainly due to higher-than-expected fuel import prices and currency depreciation that resulted in higher fuel subsidy. The authorities did not act by increasing retail fuel prices to bring the subsidy back to program levels. The continuous QPC on non-accumulation of external arrears was also missed following late debt service payments to France and the International Islamic Trade Finance Corporation (ITFC), due to end-year cash management issues. The breach was minor (0.08 percent of GDP) and temporary, and all payments were cleared.

- **The authorities have taken corrective measures to address the mixed quantitative performance.** Regarding the floor on the NOPB at end-December 2022, the authorities took remedial action by increasing retail fuel prices on February 1, 2023, resulting in a subsidy consistent with program projections. The price increase should also help limit the recourse to exceptional procedures to pay subsidies and reduce the accumulation of domestic payment arrears. The authorities expressed their commitment to better monitor and reduce expenditures through exceptional procedures (¶27). Regarding SNH direct interventions, the authorities have set up a committee to monitor transactions and have committed to submit a quarterly report on SNH interventions by type of expenditure, starting from the first quarter of 2023 (MEFP¶37).

14. Progress on structural benchmarks (SBs) continues, albeit with delays (MEFP, Table 2). Of the 14 SBs for the third review, seven have been completed, of which five with some delay, and two SBs were missed for reasons beyond the authorities' control (i.e., SB3 and SB11).

- **Two SBs due in December 2022 were met**: (i) completing the diagnostic studies for three public enterprises (SB4, ¶27, MEFP¶44) and (ii) establishing a mechanism to reconcile direct SNH interventions, with submission of the first quarterly report expected in mid-May (SB13, ¶13, MEFP¶37).

- **Five SBs were implemented with delay**: (i) submission of a diagnostic of tax policy (SB1, ¶27 MEFP¶28) with a follow-up action plan (new SB18, ¶27, MEFP¶29); (ii) nomination of management to operationalize the *Caisse des Dépôts et Consignations* (CDC) (SB8, ¶38, MEFP¶43); (iii) doubling social cash transfers (SB15, ¶20, MEFP¶26); (v) submitting terms of reference for a study on the sustainability of the civil service pension system (SB16, ¶27, MEFP¶37); and (iv) submitting a study on options for reforming the fuel price mechanism (SB17, ¶21, MEFP¶25).

15. Seven SBs were not implemented. The authorities propose options to address repeatedly missed SBs, including their reformulation to focus on measures critical for program success within each SB (¶48).

POLICY DISCUSSIONS

16. Discussions focused on macro-critical policy measures to manage current shocks and bolster Cameroon's growth and resilience. They covered (i) short-term policies to manage the food and fuel shocks; (ii) measures to gradually phase out fuel subsidies and mitigate the impact on the most vulnerable; (iii) policy options to improve non-oil revenue mobilization; and (iv) medium-term policies to unlock Cameroon's growth potential and bolster resilience.

17. Fiscal performance was strong in the first half of 2022, driven by both domestic and external factors. With higher international oil prices and continuing economic recovery, oil revenues increased by 70 percent, while non-oil revenues increased by about 11 percent by end-June 2022 year-on-year. Primary spending lagged, particularly on subsidies and transfers and public investment, which resulted in overperformance in the NOPB in the first half of 2022 (Text Table 1, MEFP, Table 1).

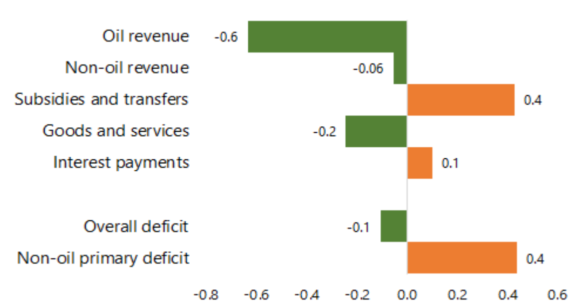
18. However, increased spending on the fuel subsidy undermined annual performance. The estimates suggest that the fuel subsidy exceeded the budget projection of CFAF 600 billion (2.3 percent of GDP) by CFAF 200 billion (0.7 percent of GDP) due to higher oil import prices and the currency depreciation. While the overall fiscal deficit declined to 1.8 percent of GDP in 2022 from 3 percent of GDP in 2021, the NOPB deteriorated to 4.5 percent of GDP in 2022 from 3.9 percent in 2021, exceeding the program target of 4 percent of GDP. The fuel subsidy contributed about 0.4 p.p. of GDP to the widening non-oil primary deficit in 2022 relative to revised budget projections (Text Figure 3). Increased spending pressures from the fuel subsidy resulted in greater use of exceptional budget procedures and accumulation of domestic arrears (MEFP, Table 1).

Text Table 1. Cameroon: Fiscal Performance and Projections
(Percent of GDP)

	2021	2022			2023		
	Est.	2nd Rev.	June/'1	Est.	2nd Rev.	Budget	Proj.
Total revenue and grants	16.1	15.4	7.6	16.1	15.9	15.4	15.5
Oil revenue	1.9	2.9	1.5	3.6	2.7	2.7	2.8
Non-oil revenue	11.8	12.0	5.8	12.0	12.8	12.4	12.4
Total expenditure	16.9	17.4	7.1	18.0	16.1	16.3	16.2
Current expenditure	11.9	11.8	4.2	12.1	10.4	11.1	11.0
Transfers and subsidies	2.9	3.7	1.1	4.1	2.6	3.0	3.1
Interest payments	1.0	0.9	0.5	1.0	0.8	1.1	1.1
Capital expenditure	4.5	5.2	2.3	5.2	5.4	5.0	5.0
Overall balance	-3.0	-1.9	0.5	-1.8	-0.2	-0.9	-0.8
Non-oil primary balance	-3.9	-4.0	-0.5	-4.5	-2.2	-2.5	-2.4
Underestimated subsidy cost /2						*1.0*	
NOPB (adjusted for higher fuel subsidy)						*-3.5*	

Source: Country authorities and IMF staff calculations.
1/ June data is in percent of annual estimated GDP.
2/ Based on the assumptions during the mission discussions.

Text Figure 3. Cameroon: Contributions to Changes in Deficit, 2022
(Percent of GDP)



Source: Country authorities, IMF staff calculations.
Note: Changes are relative to projections during the second review under the ECF-EFF program.

A. Creating Fiscal Space for Productive Investment and Social Protection

Reducing Fuel Subsidy

19. The government increased retail fuel prices on February 1. The prices for gasoline increased by 15.9 percent, for diesel by 25 percent, and kerosene for businesses by 60 percent. The average increase is estimated at around 21 percent, which would reduce the fuel subsidy by around CFAF 238 billion (0.8 percent of GDP) in 2023.

20. The government has adopted mitigation measures, increasing the minimum wage and public sector wages. It raised the minimum wage by 15.5 percent and public sector wages by 5.2 percent in February 2023. These mitigation measures complement the authorities' commitment to scale up by 100 percent the existing mechanism for conditional cash transfers (*filets sociaux*) in 2023 (SB15).

21. The authorities aim to gradually eliminate the fuel subsidy. This can be achieved by further domestic fuel price adjustments in 2024-25 based on oil price developments (Annex IV). In the context of the broader fuel subsidy reform, the government has studied medium to long-term measures to mitigate the social and economic impact (MEFP¶25), including expanding the social registry, improving access to education and health services, accelerating SONARA restructuring, achieving the energy transition, and strengthening domestic productive industries.

Additional Measures to Maintain Fiscal Sustainability

22. The government has adopted additional revenue and expenditure measures for fiscal sustainability (Text Table 2). On revenue, they plan to enhance SOEs' tax arrears recovery, tax and customs control, and collection from new customs duties, and recover additional dividends from banks with state ownership following the lifting of the Banking Commission of Central Africa (COBAC) provisioning actions related to COVID-19. This should yield CFAF 86 billion in additional revenues in 2023, of which CFAF 56 billion in non-oil revenue. On spending, the authorities envisage reducing current spending by CFAF 108 billion. These new measures will be reflected in the revised budget to be adopted by April 2023.

23. The fiscal stance has been tightened relative to the 2023 budget. While the initial budget projected a non-oil primary deficit of 2.5 percent of GDP, it underestimated the fuel subsidy by about CFAF 300 billion (1 percent of GDP), implying a non-oil primary deficit of 3.5 percent of GDP. The retail fuel price increase and the additional revenue and expenditure measures are expected to reduce the non-oil primary deficit by 1.1 p.p. of GDP to 2.4 percent of GDP in 2023 (Text Table 1).

Text Table 2. Cameroon: Budget Gains from New Fiscal and Spending Measures

Revenue measures	bn CFAF	% of GDP	Spending measures	bn CFAF	% of GDP
Oil revenue			*Mitigation measures*		
Taxes from oil companies	30	0.10	Increase in public wages	43	0.14
			Gas subsidy	32	0.11
			Social transfers	4.5	0.02
Non-oil revenue			*Spending rationalization*		
SOE tax arrears recovery	15	0.05	Fuel subsidy reduction, o/w	312	1.05
Tax and customs control	10	0.03	Impact of pump price increase	238	0.80
Other customs revenue	15	0.05	Reference oil price adjustment	74	0.25
Non-tax revenue	16	0.05	Goods and services	108	0.36
Total revenue	**86**	**0.29**			
Foregone tax revenue	(74)	(0.25)			
TOTAL REVENUE (NET)	**12**	**0.04**	**TOTAL SPENDING (NET)**	**340.8**	**1.15**
			TOTAL GAINS OVERALL BALANCE (NET)	**352.8**	**1.19**
			TOTAL GAINS *NON-OIL* BALANCE (NET)	**322.8**	**1.09**

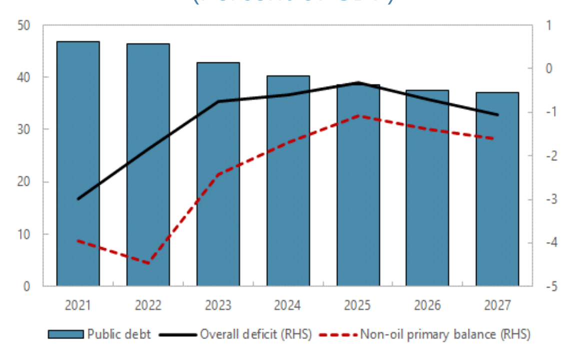
Source: Country authorities, staff calculations.

24. The 2023 budget will be partly financed by the 2021 SDR allocation, contrary to previous plans. The authorities used CFAF 60 billion (0.2 percent of GDP) of the 2021 SDR allocation in January and intend to use another CFAF 20 billion by end-2023. The authorities resorted to the use of SDR allocation faced with tight domestic and international financing conditions unforeseen at the time of the program design.

25. The projected medium-term fiscal path is consistent with program objectives. The public debt-to-GDP ratio is expected to decline starting from 2023, reflecting the lower projected overall fiscal deficit. The projections are subject to significant risks (DSA), underscoring the importance of resolute efforts to maintain fiscal sustainability, including the gains from fuel subsidy reform.

Text Figure 4. Cameroon: Fiscal Balance and Public Debt

(Percent of GDP)



Source: Country authorities and IMF staff calculations.

Continuing COVID-19 Vaccination

26. The World Health Organization (WHO) considers Cameroon to be in a controlled risk of resurgence phase COVID-19 since February 2022 (Annex II). The authorities implemented a COVID-19 response plan (CAS COVID), covered by dedicated resources, which was discontinued in the 2023 budget. The government has merged COVID-19 provisions with actions to strengthen the social safety nets project, health coverage, and monitoring in the context of the fight against all epidemics and pandemics.

B. Structural Fiscal Reforms

27. Fiscal structural reforms are key to non-oil revenue mobilization, improving spending efficiency, and reducing fiscal risks, but progress remains slow. The authorities intend to accelerate implementation of the medium-term fiscal strategy supported by the program. Other key policy priorities include:

- **Non-oil revenue mobilization.** The authorities aim to further strengthen domestic non-oil revenue mobilization in the medium term given increasing budget needs, including on social and capital spending. A tax policy diagnostic study supported by IMF technical assistance (TA) (SB1) identified reforms, including reviewing the treatment of in-kind benefits to increase Personal Income Tax (PIT) revenue and replacing Corporate Income Tax (CIT) holidays with an investment allowance (new SB). The recommendations will help gradually create fiscal space for priority spending. Accordingly, the authorities have developed a three-year plan (2023-25) to modernize and align the tax system with international standards. Efforts are also underway to increase the number of VAT taxpayers in 2023 (new SB18). To achieve this, the authorities will continue to improve tax compliance and develop an action plan to improve data collection, cross-checking, and sharing among relevant stakeholders (MEFP¶33). Staff recommended reducing tax expenditures, including those related to subsidizing fuel consumption.

- **Current spending and cash management.** The authorities are taking measures to tackle PFM weaknesses, such as the persistent underestimation of spending needs and commitments, and excessive use of exceptional procedures. To improve cash management, the authorities will prepare credible monthly cash flow plans consistent with both the commitment and public procurement plans. They also envisage measures to improve data processing, using streamlined processes for urgent expenditures, with quarterly regularization of such expenditures. Exceptional procedures need to be limited to a few urgent spending items, defined by law, with clear and transparent procedures for implementation and reporting.

- **Treasury Single Account (TSA)**. The authorities have inventoried all the accounts to be transferred to the TSA and intend to gradually transfer the funds to the TSA once the BEAC platform is available—a step that is not in the Cameroonian authorities' control (SB3).

- **Arrears.** After clearing arrears outstanding at end-2019, the authorities finalized audits of arrears due in 2000-2019 and will adopt a clearance plan (SB2, September 2023). They have also finalized the inventory of end-2021 debts between the government and 14 public enterprises. Work is underway to prepare an inventory and a clearance plan of debts between SOEs.

- **Capital spending.** Efforts to improve the selection, planning, and execution of investment projects should be sustained. A key priority will be to implement the October 2021 decree establishing procedures for monitoring the performance of project management units (SB20, April 2023).

- **Fiscal risks from SOEs.** Improving the financial situation of SOEs, containing the buildup of cross-debts with the state and improving SOEs' performance are key to limiting fiscal risks and enhancing public service delivery.

  - The authorities have completed diagnostic studies of three large SOEs—PAD, CAMTEL, and CAMWATER—and intend to implement key recommendations from these studies (SB4, MEFP¶44). Progress is underway to improve SOEs' performance, following recent FAD TA on SOEs.

  - The government will continue steps to place SONARA on a sound financial footing (MEFP¶47, rephased to September 2023). In September 2022, the government approved a framework for restructuring SONARA, and the terms of reference (TOR) for technical studies and a business plan, which will be finalized and submitted to IMF staff (SB14, June 2023).

  - While a PPP legal framework PPPs has been in place for over a decade, the management of PPPs varies across sectors. The government has prepared a legal and regulatory framework, to bring all PPPs under unified rules but adoption has been delayed pending the finalization of the CEMAC-wide regional framework (SB5, MEFP¶45, rephased to September 2023).

- **Civil service pension reforms.** Following formulation of TOR (SB16, October 2022), the government is examining the sustainability and quasi-fiscal risks of the pension system.

C. Maintaining Debt Sustainability Under Active Debt Management

28. Cameroon remains at high risk of debt distress, but its debt is sustainable with active fiscal reforms and debt management (see DSA). The risk of external debt distress remains high as two out of four indicators breach the thresholds under the baseline scenario. In addition, the present value (PV) of public debt-to-GDP ratio is above the benchmark, indicating a high risk of overall debt distress (DSA Figures 1 and 2). The prevailing extreme shock is the commodity price shock, indicating the high vulnerabilities on this front. However, Cameroon's external debt stock indicators remains below the threshold, and its external debt service indicators have improved. Both external debt service indicators are on a downward trend, and the debt service-to-revenue ratio is expected to stop breaching the threshold in the medium term.

29. Risks to debt sustainability are tilted to the downside. Risks include the ongoing war in Ukraine, which could set back the global recovery and prolong supply disruptions, and the tightening of global financial conditions, which could increase borrowing costs. Delayed restructuring of SONARA's debt could intensify risks to debt sustainability.[2] In addition, a decrease in global energy prices could lead to deterioration in export and fiscal revenues. Maintaining the fiscal

[2] SONARA reached agreement with its main supplier in September 2022, which accounts for 24 percent of the total debt and 48 percent of the external debt. Negotiations are underway with other suppliers, with agreement expected in 2023.

adjustment path, accelerating structural reforms, and limiting non-concessional borrowing, will help ensure debt sustainability.

30. Cameroon is subject to a program ceiling on the PV of newly contracted or guaranteed external public debt, with an adjustor for World Bank projects in 2023.[3] Under the program ceiling of CFAF 512.9 billion for end-2022, the authorities have optimized their borrowing plan to contract more concessional loans. To accommodate concessional infrastructure and social projects financed by the World Bank, an adjustor will apply to the 2023 ceiling, which is maintained at the 2022 level (Text Table 4). The World Bank projects to be signed potentially in 2023 amount to US$1.25 billion or the PV of CFAF 361.9 billion, compared to the PV of CFAF 179.4 billion in 2022. The authorities are making efforts to address the issue of high levels of contracted but undisbursed loans (SEND) and low disbursement rates. They plan to implement the October 2021 decree establishing procedures for monitoring the performance of project management units (SB20). Meanwhile, within the ceiling, the authorities need to prioritize projects that could boost GDP, budgetary revenues, and exports to enhance debt sustainability.

Text Table 3. Cameroon: Decomposition of Public Debt and Debt Service by Creditor, 2022–24

	Debt Stock Sep-22			Debt Service					
	$US, millions	*Percent of total debt*	*Percent of GDP*	2022 *$US, millions*	2023	2024	2022 *Percent of GDP*	2023	2024
Total 1/	**20597**	**100.0**	**44.8**	**1935**	**2925**	**2211**	**4.4**	**6.0**	**4.2**
External	**14255**	**69.2**	**31.0**	**1208**	**1509**	**1451**	**2.8**	**3.1**	**2.8**
Multilateral creditors	6363	30.9	13.8	132	339	361	0.3	0.7	0.7
IMF	1428	6.9	3.1						
World Bank	2346	11.4	5.1						
AfDB	1647	8.0	3.6						
Other Multilaterals	943	4.6	2.1						
o/w IsDB	665	3.2	1.4						
o/w IFAD	104	0.5	0.2						
Bilateral creditors	6088	29.6	13.2	784	832	830	1.8	1.7	1.6
Paris Club	1822	8.8	4.0	257	259	270	0.6	0.5	0.5
o/w France	1560	7.6	3.4						
o/w Japan	87	0.4	0.2						
Non-Paris Club	4101	19.9	8.9	512	573	560	1.2	1.2	1.1
o/w China	3959	19.2	8.6						
o/w Turkey	143	0.7	0.3						
Eurobonds	934	4.5	2.0	13	108	102	0.0	0.2	0.2
Commercial lenders	870	4.2	1.9	280	231	157	0.6	0.5	0.3
o/w Bank of China	208	1.0	0.5						
o/w Intesa San Paolo SPA	114	0.6	0.2						
Domestic	**6341**	**30.8**	**13.8**	**727**	**1416**	**760**	**1.7**	**2.9**	**1.4**
T-Bills (BTA)	357	1.7	0.8	11	381	0	0.0	0.8	0.0
Bonds	2354	11.4	5.1	303	550	289	0.7	1.1	0.5
Structured debt	1361	6.6	3.0	403	441	429	0.9	0.9	0.8
Non-structured debt	101	0.5	0.2	10	25	24	0.0	0.1	0.0
BEAC advances	1201	5.8	2.6	0	19	19	0.0	0.0	0.0
Floats and arrears	967	4.7	2.1						
Memo items:	0								
Contingent liabilities	**1318**		**2.9**						
o/w: Public guarantees (external)	30		0.1						
o/w: Other contingent liabilities	1288		2.8						
o/w external	820		1.8						
o/w domestic	467		1.0						
Nominal GDP (CFAF, billions)				27210	29749	32393			
Exchange rate, end of period (CFAF/US$)				619	612	623			
Exchange rate, period average (CFAF/US$)				622	612	616			

Source: Country authorities and IMF staff calculations.
1/ Excludes public guarantees and other contingent liabilities, which are noted under memo items. The publicly guaranteed external debt and debt of SOEs were 0.1 percent and 2.8 percent of GDP respectively, as of September 2022.

[3] 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: Country authorities and IMF staff calculations.
1/ Excludes ordinary credit for imports, debt relief obtained in the form of rescheduling or refinancing, and budget support loans from the World Bank.
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. An adjustor for World Bank projects, which is the difference between the total PV of newly signed World Bank projects identified in 2023 and the PV of World Bank projects in 2022, will apply to the PV ceiling of new debt once new World Bank projects in 2023 reaches the PV level of the previous year.

D. Strengthening Good Governance, Transparency, and Anti-Corruption

31. While the authorities have taken important steps to strengthen transparency and governance, challenges remain. The legal framework has gaps in some key areas, including the criminalization of corruption offences, exemptions from prosecution, whistleblower protection, and confiscation of proceeds and instrumentalities of crime. In addition, while Cameroon has been implementing its governance commitments related to Rapid Credit Facility (RCF) (e.g., publishing reports on related expenditures, and information on contracts with the names of beneficial owners, and submitting reports prepared by the Supreme Court Audit Bench), the momentum has slowed, notably on publication of audit reports on COVID-related expenditures.

32. Nevertheless, the authorities have made good progress on preparing for the Supreme Audit Institutions (SAI) TA. The Supreme Court Audit Bench has prepared an action plan, with recommendations on both human and capital needs. The costing needs to be discussed with the Ministry of Finance. The action plan will be finalized with LEG TA and published by April 2023. The authorities have also started preparatory coordination work for the governance diagnostic, pending arrival of a LEG mission in March 2023. The main relevant agencies met with the staff and expressed readiness to provide inputs into the exercise.

33. The authorities have considered extending the beneficial owner publication requirements to all procurement contracts. However, they point to the high administrative and legislative hurdles that would imply, in particular, the revision of the Public Procurement Code, which would take time. In addition, the administrative burden on the public regulatory agency to ensure timely and accurate filing and publication would have to be carefully weighed against other priorities in the capacity constrained fragile state.

34. The authorities continue reforms to strengthen public enterprise governance (MEFP¶45). This includes strengthening internal controls, requiring the publication of audited annual financial statements, and the submission of business plans in accordance with Law n°2017/11 of July 12, 2017.

E. Unlocking Cameroon's Growth Potential and Strengthening Resilience

Cameroon's Poverty Reduction and Growth Strategy (PRGS)

35. Cameroon's National Development Strategy (SND30) was developed in consultation with multiple stakeholders and development partners, including the World Bank, and fulfils the PRGS requirements. The strategy envisages increasing the annual growth rate to 8.1 percent on average by 2030, which is ambitious without substantial acceleration in structural reforms. The strategy identifies important priorities, which are consistent with program objectives (IMF Country Report No. 21/18). These include (i) structural transformation; (ii) improving human capital and access to services; (iii) employment and economic integration; and (iv) governance, decentralization, and strategic management; and (v) boosting resilience to climate change. Thus, in addition to creating conditions for strong and durable growth, the strategy provides a comprehensive plan for reducing poverty. It includes fifteen flagship projects for an estimated cost of CFAF 37,500 billion financed mainly through own resources, external financing, including from the World Bank, and PPPs.

Accelerating Private Sector-Led Growth and Diversification

36. Cameroon has a range of structural impediments to private sector development and economic diversification. Private and financial sector participants emphasize the need to accelerate efforts to tackle impediments to their activities and for an improved dialogue between the public and the private sector. Regional trade facilitation initiatives need to be paired with efforts to avoid distortions in the tax, legal, and judicial systems that hamper business and competitiveness.

37. The government has intensified its efforts to strengthen the consultation format between the public and the private sectors. Nevertheless, discussions with the private sector suggest the need for more frequent consultations, especially on the budget. The discussions indicated that, while the authorities had shared the budget orientation papers with the private sector, it was too late for any meaningful inputs by the private sector.

38. The authorities have nominated the management for the deposit and consignment fund (*Caisse des depots et consignations*) (SB8, December 2022). They intend to review the legal framework for the fund to bring it in line with international best practices. The staff emphasized that this fund must adhere to the principles of good governance and transparency for public banks and be regulated and supervised by the COBAC.[4]

Strengthening Financial Stability and Inclusion

39. Fragilities in the banking system seem to have stabilized but remain notable. Non-performing loans (NPLs) rose by mid-2022, despite regulatory forbearance by the BEAC, to around 15 percent of gross loans, increasing concerns of higher credit losses in the near term, but have recently stabilized.[5] Bank profitability improved in 2022 relative to 2021, while aggregate capital and liquidity ratios remained adequate. Concentration risks remain high, and sovereign-bank exposures are also high but have recently stabilized.[6] Cameroon remains the reference debt issuer for the CEMAC regional market. Net budget financing from commercial banks exceeds 1 percent of GDP per year, which poses risks for financial sector development and stability.

40. The government is continuing reforms to strengthen financial sector stability and reduce NPLs. To this end, the government expects to sign an authorizing agreement with the COBAC by March 2023 to implement the restructuring of the two distressed banks.[7] These two banks will open their capital to the private sector within five years as provided in their performance contracts. The government will also complete the privatization of the Commercial Bank of Cameroon (CBC).[8] Other priorities include (i) training the judiciary on the resolution of bank disputes and transforming the existing commercial chambers into specialized commercial courts with judges trained in commercial disputes; (ii) encouraging banks and financial institutions to systematically submit data to the movable collateral registry (RNSM);[9] (iii) strengthening the operation of the State Asset Management Company (SRC), and ensuring it has a robust governance framework, operational and budgetary independence, and strong transparency and accountability rules, with a sunset clause for its banking asset recovery activities. Regarding the sovereign exposures following the decision of the COBAC to lower the large exposure limit, most banks' exposures remain within the new limit of 25 percent of capital. Staff reiterated the need to avoid using fiscal resources to bail out shareholders.

41. The authorities intend to diversify the investor base for government securities, while developing a culture of savings and social protection. In 2023, they plan to prepare a strategy to

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[4] See MCM paper on public banks: https://www.imf.org/-/media/Files/Publications/DP/2022/English/RSHDPBEA.ashx

[5] During the pandemic, NPLs rose strongly from already high levels in the hotel and commerce, transportation, and telecom sectors.

[6] Over the past five years, the stock of domestic CEMAC government securities on banks' balance sheets has significantly increased to reach 24.1 percent at end-March 2022, but it declined to 22.2 percent of assets at end-October 2022.

[7] There were delays in the nomination of administrators and the new board of the two banks and in reaching agreement with existing shareholders regarding tax payments to the State. The portfolios of defaulted exposures have been transferred to the SRC, and the first tranches of recapitalization have been paid out by the State.

[8] There were delays in choosing an advisor for the privatization of the CBC. No strategic shareholder has been identified so far.

[9] Data submissions increased significantly in 2022 relative to 2021 but they remain low.

encourage the participation of non-bank investors, including insurance, pension funds, and individuals, particularly in long maturity issues in line with the medium-term debt strategy and assuring the sustainability of public debt. A sinking fund account is set up at the BEAC with the resources needed to pay the maturities of OTAs and bonds, including the Eurobonds.

42. Progress on financial inclusion reforms needs to accelerate. Cameroon has formulated a National Strategy for Inclusive Finance 2021-2025, which aims to remove the barriers for the funding of businesses by traditional banks. The strategy aims to cover all the actors in the financial sector (banks, microfinance institutions, and insurance companies) and telecommunication operators (mobile money services).

43. Effective application of foreign exchange (FX) regulations to the extractive sector is paramount to ensuring the success of the regulation framework. The authorities are committed to implementing FX regulatory changes (MEFP¶48). Although the repatriation and surrender requirements of the FX regulations adapted to the extractive sector came into effect in January 2022, BEAC is not yet enforcing sanctions for non-compliance, pending the resolution of technical difficulties, including in opening, and operating foreign currency accounts in the CEMAC region.

PROGRAM ISSUES

44. Regional assurances. The BEAC met its end-June 2022 NFA target and has provided updated policy assurances in support of CEMAC countries' Fund-supported programs. BEAC remains committed 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, BEAC tightened monetary policy in 2022 and will continue to work towards effective application of the FX regulation, including by implementing 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 to help bolster the region's external sustainability.

45. Program performance will continue to be reviewed semi-annually through six-monthly and continuous QPCs, quarterly ITs, and SBs. The authorities are requesting resetting end-March and end-June 2023 QPCs and ITs to reflect the current macroeconomic framework, budget projections, and program commitments, and setting of new end-September and end-December 2023 QPCs and ITs.

46. The authorities request waivers for nonobservance of two performance criteria. The floor on the NOPB at end-December 2022 was missed, due to higher oil prices and currency depreciation leading to higher spending on the fuel subsidy (MEFP, Table 1) (¶13), and a waiver of non-observance is requested due to the corrective actions taken by the authorities (¶13). The continuous zero ceiling on the accumulation of new external payments arrears was also missed following delayed debt service payments to ITFC and France due to end-year cash management issues. A waiver of non-observance is requested due to the minor (0.08 percent of GDP) and temporary nature of the non-observance, and these arrears have been cleared (¶13).

47. The authorities also request a waiver of applicability for three other end-December 2022 QPCs. The data to assess observance will not be available by the Board date, the program will be successfully implemented, and there is no clear evidence that these QPCs will not be met. The TMU has been revised to reflect Cameroon's complementary budget period of 30 days at budget year-end. The TMU also includes revisions to clarify the inclusion of the use of the SDR allocation in net Central Bank claims on the government, and the new adjustor to the ceiling on contracting new external debt to accommodate the World Bank financing.

48. The authorities agreed to additional SBs for the next two program reviews in critical areas and proposed corrective actions for unmet SBs as follows:

- **Rephase six unmet SBs.** The audit of domestic arrears and the action plan to clear arrears certified by the audit have not been finalized because of the complex process to validate the amounts definitively (SB2, ¶27, MEFP¶42, rephased to September 2023); (ii) Regarding PPPs (Public Private Partnerships), the government has prepared the legal and regulatory framework, but adoption has been delayed to ensure consistency with the CEMAC-wide framework (SB5, ¶27, MEFP¶45, rephased to September 2023). Nevertheless, the authorities will attempt to implementing their national framework in the meantime and seek consistency when the regional framework is available; (iii) The inventory and plan to clear debts between SOEs and the government was finalized in January 2023, but the inventory of debts between SOEs is delayed, mainly due to data constraints (SB6, ¶27, MEFP¶42, rephased to September 2023); (iv) The law to rationalize incentives to promote healthy competition between economic operators has not been revised (SB9, ¶28 , MEFP¶29, rephased to December 2023); (v) The action plan to strengthen the frameworks for public spending audits has been delayed by TA delivery plans (SB11, ¶27, MEFP¶55, rephased to April 2023); (vi) The publication of the audit report on COVID-related expenditures has been delayed to allow time for beneficiary administrations to react to the audit (SB12, ¶31, MEFP¶55, rephased to March 2023).

- **Not rephase and remove one unmet SB.** The transfer of public entity accounts to the TSA, due in December 2022, has been delayed pending the completion of the IT platform at the BEAC (SB3, ¶27, MEFP¶36) and no further action can be taken by the authorities until the regional BEAC platform is available, and the completion of the platform is beyond the authorities' control.

- **Rephase two SBs due for the next review**. The diagnostic of vulnerabilities in governance and the fight against corruption was rephased from June to September 2023 (SB10, ¶32, MEFP¶54) to reflect delayed TA delivery plans. This will allow sufficient time for the IMF and the authorities to complete all the relevant steps for the diagnostic assessment. The elaboration of a restructuring plan for SONARA was postponed from March to June 2023 (SB14, ¶27, MEFP¶47).

- **Three new SBs to support ongoing reforms.** The first aims to broaden the tax base by increasing the number of VAT taxpayers (SB18, ¶27 MEFP¶33). The second aims to eliminate income tax allowances and replace them with investment allowances in the 2013 Law as an intermediate step to revising the law itself, which could be a lengthy and contentious process (SB19, ¶29, MEFP¶51). The new SB19 provides a more targeted approach focusing on investment allowances. Additionally, the authorities intend to undertake a study or audit of the Law's implementation over the past 10 years with recommendations for an improved system of investment incentives. The third aims to improve project and debt management and the prioritization of externally financed investment (SB20, ¶30, MEFP¶41).

49. Cameroon's capacity to repay the Fund is adequate but subject to significant risks (Table 5). As of end-December 2022, total outstanding credit from the Fund amounts to 370 percent of quota. 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 3.1 percent of revenues in 2027. Risks to the program and to the capacity to repay the Fund are elevated and could be further strained by the materialization of potential risks. Risks are mitigated by Cameroon's past track record of repaying the Fund and the strength of the program.

50. Program risks and mitigation. Risks relating to the war in Ukraine have compounded pandemic risks (¶11). The mission discussed possible contingency measures and inclusion of a contingency plan in the MEFP. The authorities indicated that they produced a fiscal risk statement, which might eventually include a contingency plan. Contingency measures include the mechanism blocking up to 15 percent of budgeted current expenditures on goods and services.

51. The mission confirmed financing assurances. Cameroon's program remains fully financed with firm commitments for the upcoming 12-month period, and good prospects for the remainder of the program. 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.

52. Consistency with regional strategy. Despite the impact of the lower projected natural gas prices and the stronger CFAF to the US dollar on Cameroon's external balance, the level of NFA at end-2023 is projected to remain broadly in line with the CEMAC December 2022 staff report projections.

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

	2022	2023	2024	Total (CFAF, billions)	Total (SDR, millions)	Percent of Gap	Percent of Quota[1]
Financing Gap	**287**	**220**	**180**	**686**	**828**	**100**	**300**
IMF Financing	**115**	**91**	**92**	**298**	**359**	**43**	**130**
ECF	38	30	31	99	120	14	43
EFF	77	61	61	198	239	29	87
Budget Support from other Donors	**172**	**129**	**88**	**389**	**469**	**57**	**170**
AFDB	50	41	0	91	110	13	40
World Bank	62	61	62	185	223	27	81
France	45	27	26	98	118	14	43
EU	0	0	0	0	0	0	0
Other	15	0	0	15	18	2	7
Exceptional Financing	**0**	**0**	0	**0**	**0**	**0**	**0**
DSSI (Net)	0	0	0	0	0	0	0
Residual Gap	**0**	**0**	**0**	**0**	**0**	**0**	**0**

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

STAFF APPRAISAL

53. Cameroon proved resilient to the COVID-19 shock but faces increased challenges in an uncertain global environment. The economic recovery, which was supported by higher oil prices and non-oil production in 2021, continued into 2022, against the backdrop of Russia's war in Ukraine, inflationary pressures, supply chain disruptions, and tight global financial conditions. Following an increase in the growth rate to 3.6 percent in 2021, real GDP growth is expected to reach 3.4 percent in 2022, while headline inflation is projected at 6 percent at end-2022, driven by food prices, higher import costs, and domestic supply pressures.

54. Program performance is mixed. While all quantitative performance criteria (QPCs) at end-June 2022 were met, two QPCs were missed: (i) the floor on the NOPB at end-December 2022 was missed due to the higher spending on the fuel subsidy; and (ii) the continuous zero ceiling on the accumulation of new external payments arrears was missed due to late payments to IFTC and France. In addition, three of the five indicative targets (ITs) were missed, both at end-June and end-September, namely the ceilings on the direct interventions of the SNH, the share of spending through exceptional procedures, and the net accumulation of domestic payment arrears. The authorities proposed corrective measures to address the missed quantitative targets.

55. Progress on structural benchmarks continues with delays. Of the 14 structural benchmarks, seven have been completed, of which five with some delay, and two SBs were missed for reasons beyond the authorities' control. Six unmet SBs were rephased, while one was dropped as the remaining action is not within the authorities' control.

56. The baseline economic outlook for 2023 remains positive, but uncertainties remain considerable. Economic growth is expected to accelerate to 4.3 percent in 2023, with inflation remaining at about 6 percent at end-2023. However, projections are subject to considerable downside risks especially from an intensification of external pressures and potential stronger-than-expected tightening in financial conditions.

57. The authorities are committed to sustaining the fiscal consolidation efforts consistent with the program. The overall fiscal deficit target is projected to decline to 0.8 percent of GDP and the non-oil primary deficit to 2.4 percent of GDP in 2023. Staff welcomes the reduction in fuel subsidies and measures to sustain the agreed fiscal policy stance, which will make room for priority spending over the medium term. As mitigation measures, the authorities increased the minimum wage and public sector wages, complementing their plans to scale up by 100 percent the existing mechanism for conditional cash transfers (*filets sociaux*) in 2023. It will also be important to continue phasing out temporary tax measures and price controls.

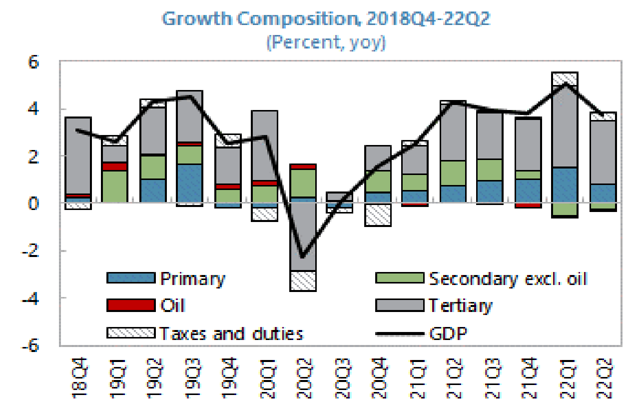
58. Cameroon remains at high risk of debt distress, but its debt is sustainable. The planned continued fiscal consolidation, structural reforms, and prudent borrowing that limits reliance on non-concessional borrowing, would support a reduction in debt vulnerabilities. Advancing the negotiation process on SONARA's debt restructuring would limit contingent liabilities.

59. Structural reforms need to be accelerated to unlock Cameroon's growth potential. Further steps are needed to enhance investment efficiency, strengthen financial inclusion, and improve the business climate, and should be accompanied by a strengthened transparency, governance, and anti-corruption framework. Continued progress in enhancing the management of SOEs will be equally critical.

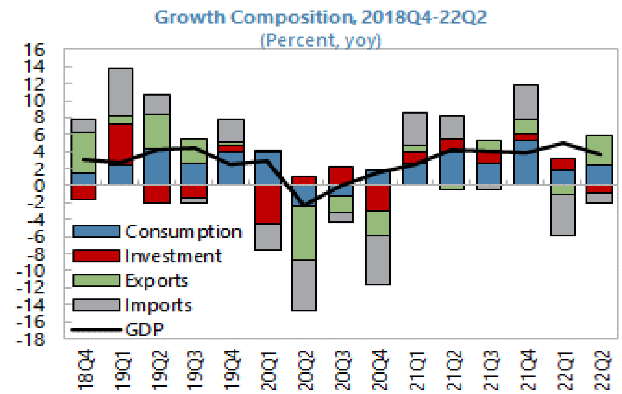
60. Based on Cameroon's performance under the program, the implementation of the end-December 2022 regional policy assurances and regional policy assurances established in the December 2022 union-wide paper, staff supports the authorities' request for the completion of the third review. Staff also supports the authorities' request for (i) the adoption of the new March 2023 ITs and end-June 2023 QPCs; (ii) waivers for nonobservance of the floor on the NOPB at end-December 2022 and the non-accumulation of external arrears and (iii) waivers of applicability for three other end-December 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 fourth review be conditional on the implementation of critical policy assurances at the union level established in the December 2022 union-wide background paper.

Figure 1. Cameroon: Real Sector Developments, 2017–23

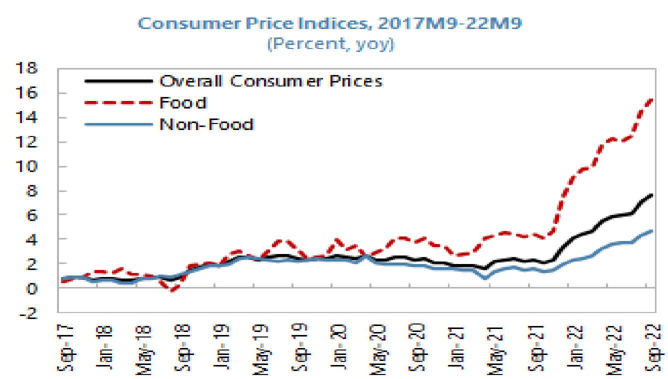
Growth remained strong, driven by a robust performance in the primary and tertiary sectors...



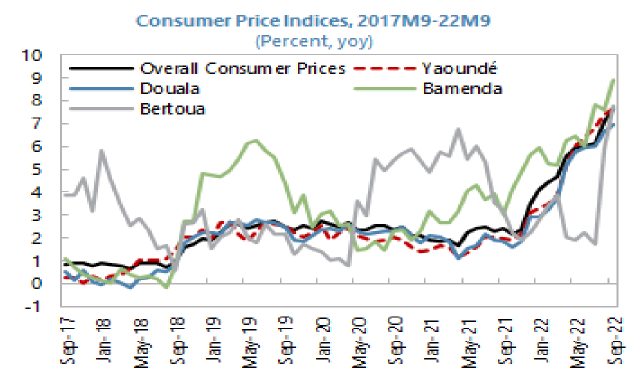
...and consumption continues to recover.



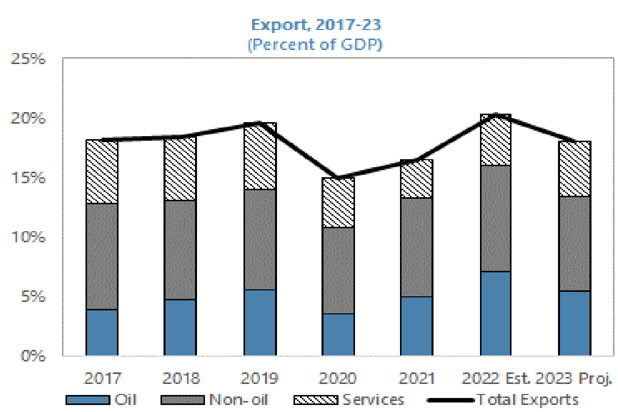
Inflation, driven by food and energy prices, has accelerated rapidly...



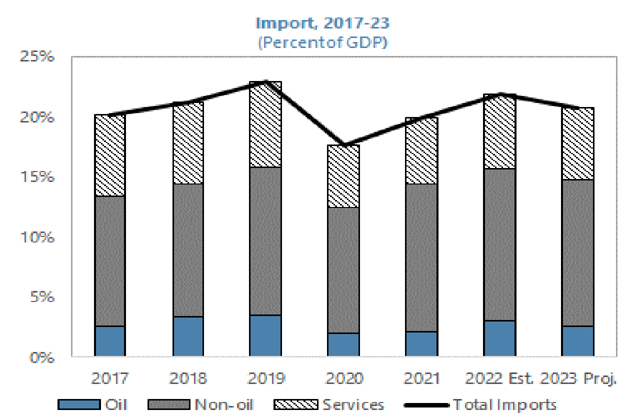
... with some regional variations.



Exports recovered from pandemic lows, mainly driven by oil exports, which are projected to slow down...



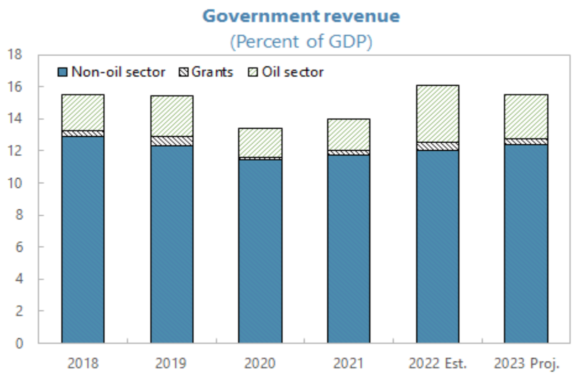
... with imports slowing in parallel.



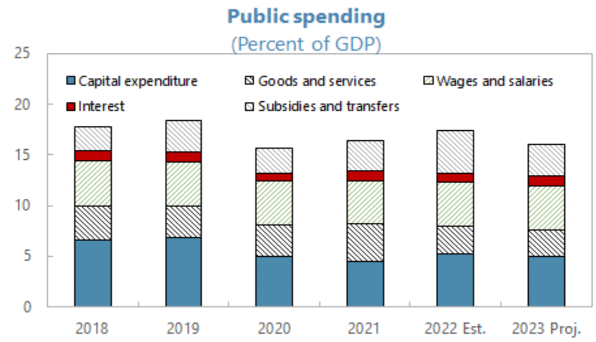
Sources: Country authorities, BEAC and IMF staff calculations.

Figure 2. Cameroon: Fiscal Developments, 2018–23

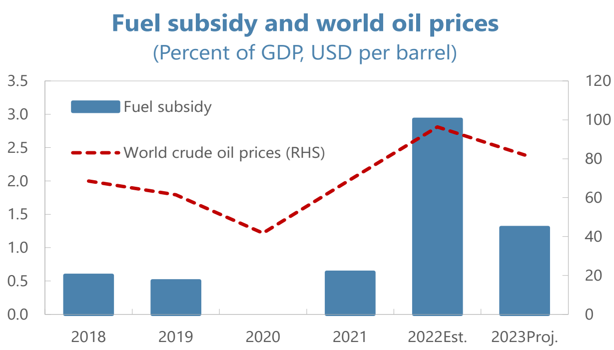
Revenue collection in 2022 was driven by strong performance in the oil revenue mobilization…



…while public spending has also increased with more spending on transfers and subsidies…

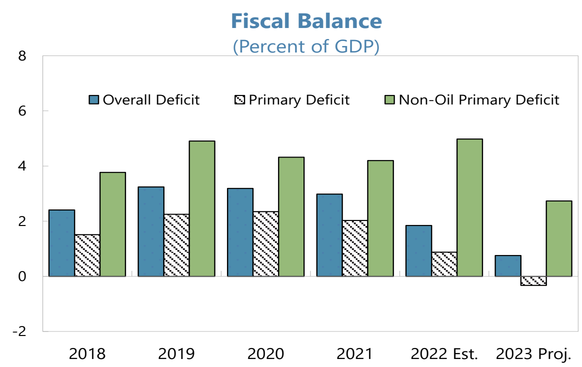


…driven by increased fuel subsidies as a policy to protect the population from a surge in international oil prices and limit inflation pressures…

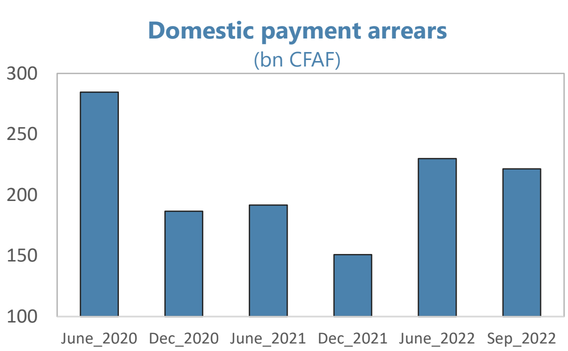


Note: Fuel subsidy is an estimate by authorities and staff; 2023 amount is net of the impact of pump price increase.

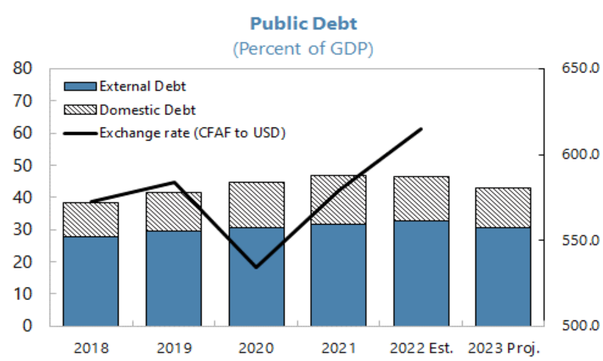
While the overall balance is estimated to have improved in 2022, the non-oil primary balance is estimated to have deteriorated due to the high cost of the fuel subsidy…



… which also resulted in accumulation of domestic payment arrears.



The impact of GDP growth and lower deficit on public debt dynamics was favorable albeit attenuated by the exchange rate depreciation.



Sources: Country authorities, BEAC 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
	2nd Rev.	Est.	2nd Rev.	Est.	2nd Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)									
National account and prices										
GDP at constant prices	3.6	3.6	3.8	3.4	4.6	4.3	4.4	4.5	4.6	4.7
Oil GDP at constant prices	-3.2	-3.2	4.2	-5.1	-3.0	0.7	1.1	0.3	0.3	0.3
Non-Oil GDP at constant prices	3.8	3.8	3.8	3.6	4.8	4.4	4.5	4.6	4.7	4.8
GDP deflator	3.3	3.3	4.8	4.6	2.4	4.8	4.3	3.0	2.0	2.0
Nominal GDP (at market prices, CFAF billions)	25,158	25,158	27,389	27,210	29,325	29,749	32,393	34,866	37,226	39,777
Oil	801	801	1,187	1,073	1,090	907	862	814	777	747
Non-Oil	24,357	24,357	26,201	26,137	28,235	28,841	31,531	34,052	36,449	39,030
Consumer prices (average)	2.3	2.3	4.6	5.3	2.8	5.9	4.7	3.0	2.3	2.0
Consumer prices (eop)	3.5	3.5	4.1	6.0	2.9	5.7	3.7	2.3	2.1	2.0
Money and credit										
Broad money (M2)	17.2	17.2	15.6	11.4	10.1	8.1	9.9	8.0	7.1	8.2
Net foreign assets 1/	4.3	4.3	5.1	7.7	4.0	1.0	1.8	2.3	2.9	2.8
Net domestic assets 1/	12.9	12.9	10.5	3.6	6.1	7.0	8.1	5.7	4.2	5.4
Domestic credit to the private sector	9.7	9.7	9.1	13.6	12.4	8.8	7.4	7.1	6.9	6.7
	(Percent of GDP, unless otherwise indicated)									
Savings and investments										
Gross national savings	14.0	14.0	16.3	15.9	17.3	15.9	16.6	17.9	19.0	20.4
Gross domestic investment	17.9	17.9	18.4	17.4	20.0	18.8	19.6	20.6	21.6	22.8
Public investment	4.6	4.5	5.2	5.2	5.4	5.0	5.4	5.7	6.3	6.9
Private investment	13.4	13.4	13.2	12.2	14.6	13.8	14.1	14.8	15.2	16.0
Central government operations										
Total revenue (including grants)	14.1	14.0	15.4	16.1	15.9	15.5	15.3	15.2	15.2	15.4
Oil revenue	1.9	1.9	2.9	3.6	2.7	2.8	2.2	1.8	1.7	1.6
Non-oil revenue	12.0	11.8	12.0	12.0	12.8	12.4	12.8	13.1	13.4	13.7
Non-oil revenue (percent of non-oil GDP)	12.4	12.2	12.5	12.5	13.3	12.8	13.2	13.4	13.7	13.9
Total expenditure	16.5	16.9	17.4	18.0	16.1	16.2	16.0	15.5	15.9	16.4
Overall fiscal balance (payment order basis)										
Excluding grants	-2.6	-3.2	-2.5	-2.4	-0.5	-1.1	-0.9	-0.5	-0.8	-1.2
Including grants	-2.4	-3.0	-1.9	-1.8	-0.2	-0.8	-0.6	-0.3	-0.7	-1.1
Overall fiscal balance (cash basis)										
Excluding grants	-3.0	-2.7	-3.0	-2.8	-1.0	-1.6	-1.4	-0.9	-1.1	-1.2
Including grants	-2.8	-2.4	-2.5	-2.3	-0.7	-1.3	-1.1	-0.7	-1.0	-1.1
Non-oil primary balance (payment order basis, percent of non-oil GDP)	-3.4	-4.1	-4.2	-4.6	-2.3	-2.5	-1.8	-1.1	-1.4	-1.7
External sector										
Trade balance	-1.5	-1.1	-0.7	0.4	-1.3	-1.3	-1.4	-1.3	-1.2	-1.2
Oil exports	4.9	4.9	7.5	7.1	6.0	5.4	4.9	4.5	4.2	4.0
Non-oil exports	8.0	8.3	9.4	8.9	8.7	8.0	7.6	7.7	7.8	8.0
Imports	14.5	14.4	17.6	15.7	16.0	14.7	13.9	13.5	13.2	13.1
Current account balance										
Excluding official grants	-4.4	-4.2	-2.6	-2.2	-3.0	-3.2	-3.0	-2.8	-2.6	-2.5
Including official grants	-4.0	-4.0	-2.1	-1.6	-2.6	-2.8	-3.0	-2.6	-2.5	-2.5
Terms of trade	7.0	9.4	7.1	3.6	-7.1	-8.4	-1.9	-2.6	-2.1	-0.9
Public debt										
Stock of public debt	45.5	46.8	44.0	46.4	40.8	42.8	40.4	38.5	37.5	37.2
Of which: external debt	31.6	31.7	31.2	32.7	30.3	30.5	29.7	29.1	29.2	29.4

Sources: Country authorities; and IMF staff estimates and projections.
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
	2nd Rev.	Est.	2nd Rev.	Est.	2nd Rev.	Budget[2]	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**3,559**	**3,511**	**4,223**	**4,386**	**4,653**	**4,592**	**4,602**	**4,964**	**5,302**	**5,664**	**6,107**
Total revenue	3,492	3,446	4,081	4,244	4,562	4,501	4,501	4,866	5,221	5,620	6,067
Oil sector revenue	482	482	806	974	801	807	821	712	641	635	635
Non-oil sector revenue	3,010	2,964	3,275	3,270	3,761	3,694	3,681	4,155	4,579	4,985	5,432
Direct taxes	698	698	768	845	932		961	1,088	1,217	1,335	1,478
Special tax on petroleum products	147	147	152	155	160		164	171	179	188	197
Other taxes on goods and services	1,601	1,542	1,717	1,663	1,863		1,852	2,110	2,338	2,550	2,761
Taxes on international trade	398	405	411	401	556		437	503	543	590	646
Non-tax revenue	167	172	226	206	250	250	266	283	301	323	350
Total grants	67	65	142	142	91	91	101	97	82	44	40
Projects	33	41	33	33	35	35	35	38	42	44	40
Other	35	24	109	109	56	56	66	59	40	0	0
Total expenditure	**4,157**	**4,262**	**4,757**	**4,887**	**4,718**	**4,850**	**4,831**	**5,170**	**5,411**	**5,919**	**6,527**
Current expenditure	2,970	2,992	3,237	3,300	3,063	3,304	3,285	3,329	3,328	3,563	3,797
Wages and salaries	1,074	1,075	1,174	1,174	1,263	1,241	1,284	1,381	1,478	1,582	1,704
Goods and services	963	934	811	740	810	862	754	838	915	996	1,044
Subsidies and transfers	691	742	1,013	1,123	768	887	924	751	561	600	642
Interest	242	242	240	263	222	314	323	359	373	384	407
External	165	165	157	180	156	194	194	218	222	223	235
Domestic	77	77	83	83	66	120	129	140	151	161	172
Capital expenditure	1,148	1,133	1,419	1,419	1,585	1,494	1,494	1,760	2,002	2,357	2,730
Domestically financed investment	617	583	615	620	711	633	633	798	958	1,240	1,622
Foreign-financed investment	511	519	780	780	848	831	831	932	1,012	1,083	1,074
Rehabilitation and participation	20	20	24	19	26	30	30	30	32	33	34
Net lending	-91	7	-20	47	-20	0	0	0	0	0	0
COVID-19-related spending	52	52	15	50							
COVID-19 vaccine procurement and delivery	20	20	35	0							
Local production stimulus fund	30	30	40	40	60	21	21	50			
Decentralization addendum special account	28	28	31	31	30	31	31	31			
Overall balance (payment order basis)											
Excluding grants	-665	-816	-676	-643	-156	-349	-330	-304	-191	-299	-460
Including grants	-597	-751	-534	-501	-65	-258	-229	-207	-109	-255	-420
CEMAC reference fiscal balance	**-637**	**-791**	**-883**	**-1,021**	**-343**	**-520**	**-469**	**-205**	**43**	**-215**	**-446**
Adjustment to cash basis	**-99**	**142**	**-146**	**-122**	**-132**	**-115**	**-148**	**-160**	**-136**	**-118**	**0**
Unexecuted payment orders (-=reduction)	0	0	0	0			0	0	0	0	0
Floats and arrears (- = reduction)	-99	142	-146	-122	-132	-115	-148	-160	-136	-118	0
o/w Arrears (- = reduction)	-83	-60	-65	-66	-39		-86	-75	-66	-75	0
o/w Floats (- = reduction)	0	202	-55	-56	-50		-62	-70	-56	-43	0
o/w other arrears 1/	-17	0	-26	0	-43		0	-15	-15	0	0
Overall balance (cash basis)											
Excluding grants	-764	-674	-822	-765	-288	-464	-477	-464	-327	-417	-460
Including grants	-697	-609	-680	-623	-197	-373	-376	-367	-245	-373	-420
Financing	**323**	**609**	**345**	**336**	**-101**	**91**	**157**	**187**	**245**	**373**	**420**
External financing, net	397	419	227	227	236	91	91	230	313	367	387
Amortization	-586	-677	-520	-520	-577	-704	-704	-663	-657	-672	-687
Drawings	983	1,096	747	747	813	795	795	893	970	1,039	1,074
Eurobond	450	450									
Domestic financing, net	-74	190	118	109	-377	0	65	-43	-68	6	33
Banking system	511	425	720	506	138	264	302	268	211	192	237
Central Bank	161	217	170	170	-62	72	110	-82	-139	-169	-135
SDR Allocation	50	50	70	70			80				
Commercial Banks	350	208	550	336	200	192	192	350	350	361	372
Amortization of non-structured debt	-16	-67		-26			-15				
Other domestic financing	-568	-169	-602	-371	-475	-264	-221	-311	-279	-186	-205
Financing gap	**373**	**0**	**335**	**287**	**298**	**282**	**220**	**180**	**0**	**0**	**0**
IMF Financing	**96**		**150**	**115**	**87**	**91**	**91**	**92**	**0**	**0**	**0**
ECF	32		50	38		30	30	31	0	0	0
EFF	64		100	77		61	61	61	0	0	0
Budget Support (excl. IMF)	**111**		**185**	**172**	**211**	**191**	**129**	**88**	**0**	**0**	**0**
AFDB	0		36	50	53	41	41	0	0	0	0
WB	80		88	62	116	61	61	62	0	0	0
France	0		46	45	26	27	27	26	0	0	0
EU	16		0	0	16	10	0	0	0	0	0
Other	15		15	15	0	52	0	0	0	0	0
Exceptional Financing	**166**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
DSSI	166										
Residual gap	**0**		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Memorandum items:											
Primary balance (payment order basis, incl. grants)	-356	-509	-294	-239	157	56	94	152	264	129	-13
Primary balance (cash basis, incl. grants)	-455	-367	-440	-360	25	-59	-53	-8	128	11	-13
Non-oil primary balance (payment order basis, incl. grants)	-838	-991	-1,100	-1,213	-644	-751	-727	-559	-377	-505	-648
Non-oil primary balance (cash basis, incl. grants)	-937	-849	-1,246	-1,334	-776	-866	-874	-719	-513	-623	-648

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

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.

2/ Based on the initial adopted budget law for 2023.

Table 2b. Cameroon: Central Government Operations, 2021–27

(In percent of GDP)

	2021		2022		2023			2024	2025	2026	2027
	2nd Rev.	Est.	2nd Rev.	Est.	2nd Rev.	Budget[2]	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**14.1**	**14.0**	**15.4**	**16.1**	**15.9**	**15.4**	**15.5**	**15.3**	**15.2**	**15.2**	**15.4**
Total revenue	13.9	13.7	14.9	15.6	15.6	15.1	15.1	15.0	15.0	15.1	15.3
Oil sector revenue	1.9	1.9	2.9	3.6	2.7	2.7	2.8	2.2	1.8	1.7	1.6
Non-oil sector revenue	12.0	11.8	12.0	12.0	12.8	12.4	12.4	12.8	13.1	13.4	13.7
Direct taxes	2.8	2.8	2.8	3.1	3.2		3.2	3.4	3.5	3.6	3.7
Special tax on petroleum products	0.6	0.6	0.6	0.6	0.5		0.6	0.5	0.5	0.5	0.5
Other taxes on goods and services	6.4	6.1	6.3	6.1	6.4		6.2	6.5	6.7	6.8	6.9
Taxes on international trade	1.6	1.6	1.5	1.5	1.9		1.5	1.6	1.6	1.6	1.6
Non-tax revenue	0.7	0.7	0.8	0.8	0.9	0.8	0.9	0.9	0.9	0.9	0.9
Total grants	0.3	0.3	0.5	0.5	0.3	0.3	0.3	0.3	0.2	0.1	0.1
Projects	0.1	0.2	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	0.2	0.2	0.2	0.2	0.1	0.0	0.0
Total expenditure	**16.5**	**16.9**	**17.4**	**18.0**	**16.1**	**16.3**	**16.2**	**16.0**	**15.5**	**15.9**	**16.4**
Current expenditure	11.8	11.9	11.8	12.1	10.4	11.1	11.0	10.3	9.5	9.6	9.5
Wages and salaries	4.3	4.3	4.3	4.3	4.3	4.2	4.3	4.3	4.2	4.2	4.3
Goods and services	3.8	3.7	3.0	2.7	2.8	2.9	2.5	2.6	2.6	2.7	2.6
Subsidies and transfers	2.7	2.9	3.7	4.1	2.6	3.0	3.1	2.3	1.6	1.6	1.6
Interest	1.0	1.0	0.9	1.0	0.8	1.1	1.1	1.1	1.1	1.0	1.0
External	0.7	0.7	0.6	0.7	0.5	0.7	0.7	0.7	0.6	0.6	0.6
Domestic	0.3	0.3	0.3	0.3	0.2	0.4	0.4	0.4	0.4	0.4	0.4
Capital expenditure	4.6	4.5	5.2	5.2	5.4	5.0	5.0	5.4	5.7	6.3	6.9
Domestically financed investment	2.5	2.3	2.2	2.3	2.4	2.1	2.1	2.5	2.7	3.3	4.1
Foreign-financed investment	2.0	2.1	2.8	2.9	2.9	2.8	2.8	2.9	2.9	2.9	2.7
Rehabilitation and participation	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Net lending	-0.4	0.0	-0.1	0.2	-0.1		0.0	0.0	0.0	0.0	0.0
COVID-19-related spending	0.2	0.2	0.1	0.2	0.0		0.0	0.0	0.0	0.0	0.0
COVID-19 vaccine procurement and delivery	0.1	0.1	0.1	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Local production stimulus fund	0.1	0.1	0.1	0.1	0.2		0.1	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	-2.6	-3.2	-2.5	-2.4	-0.5	-1.2	-1.1	-0.9	-0.5	-0.8	-1.2
Including grants	-2.4	-3.0	-1.9	-1.8	-0.2	-0.9	-0.8	-0.6	-0.3	-0.7	-1.1
CEMAC reference fiscal balance	**-2.5**	**-3.1**	**-3.2**	**-3.8**	**-1.2**	**-1.7**	**-1.6**	**-0.6**	**0.1**	**-0.6**	**-1.1**
Adjustment to cash basis	**-0.4**	**0.6**	**-0.5**	**-0.4**	**-0.4**	**-0.4**	**-0.5**	**-0.5**	**-0.4**	**-0.3**	**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	0.6	-0.5	-0.4	-0.4		-0.5	-0.5	-0.4	-0.3	0.0
o/w Arrears (- = reduction)	-0.3	-0.2	-0.2	-0.2	-0.1		-0.3	-0.2	-0.2	-0.2	0.0
o/w Floats (- = reduction)	0.0	0.8	-0.2	-0.2	-0.2		-0.2	-0.2	-0.2	-0.1	0.0
o/w other arrears 1/	-0.1	0.0	-0.1	0.0	-0.1		0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)											
Excluding grants	-3.0	-2.7	-3.0	-2.8	-1.0	-1.6	-1.6	-1.4	-0.9	-1.1	-1.2
Including grants	-2.8	-2.4	-2.5	-2.3	-0.7	-1.3	-1.3	-1.1	-0.7	-1.0	-1.1
Financing	**1.3**	**2.4**	**1.3**	**1.2**	**-0.3**	**0.3**	**0.5**	**0.6**	**0.7**	**1.0**	**1.1**
External financing, net	1.6	1.7	0.8	0.8	0.8	0.3	0.3	0.7	0.9	1.0	1.0
Amortization	-2.3	-2.7	-1.9	-1.9	-2.0	-2.4	-2.4	-2.0	-1.9	-1.8	-1.7
Drawings	3.9	4.4	2.7	2.7	2.8	2.7	2.7	2.8	2.8	2.8	2.7
Eurobond	1.8	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing, net	-0.3	0.8	0.4	0.4	-1.1	0.0	0.2	-0.1	-0.2	0.0	0.1
Banking system	2.0	1.7	2.6	1.9	0.5		1.0	0.8	0.6	0.5	0.6
Central Bank	0.6	0.9	0.6	0.6	-0.2		0.4	-0.3	-0.4	-0.5	-0.3
SDR Allocation	0.2	0.2	0.3	0.3	0.0		0.3	0.0	0.0	0.0	0.0
Commercial Banks	1.4	0.8	2.0	1.2	0.7	0.6	0.6	1.1	1.0	1.0	0.9
Amortization of non-structured debt	-0.1	-0.3	0.0	-0.1	0.0		-0.1	0.0	0.0	0.0	0.0
Other domestic financing	-2.3	-0.7	-2.2	-1.4	-1.6	-0.9	-0.7	-1.0	-0.8	-0.5	-0.5
Financing gap	**1.5**	**0.0**	**1.2**	**1.1**	**1.0**	**0.9**	**0.7**	**0.6**	**0.0**	**0.0**	**0.0**
IMF Financing	**0.4**		**0.5**	**0.4**	**0.3**	**0.3**	**0.3**	**0.3**	**0.0**	**0.0**	**0.0**
Budget Support (excl. IMF)	**0.4**		**0.7**	**0.6**	**0.7**	**0.6**	**0.4**	**0.3**	**0.0**	**0.0**	**0.0**
Exceptional Financing	**0.7**		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
DSSI	0.7		0.0	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)	-1.4	-2.0	-1.1	-0.9	0.5	0.2	0.3	0.5	0.8	0.3	0.0
Primary balance (cash basis, incl. grants)	-1.8	-1.5	-1.6	-1.3	0.1	-0.2	-0.2	0.0	0.4	0.0	0.0
Non-oil primary balance (payment order basis, incl. grants)	-3.3	-3.9	-4.0	-4.5	-2.2	-2.5	-2.4	-1.7	-1.1	-1.4	-1.6
Non-oil primary balance (cash basis, incl. grants)	-3.7	-3.4	-4.6	-4.9	-2.6	-2.9	-2.9	-2.2	-1.5	-1.7	-1.6

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

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.

2/ Based on the initial adopted budget law for 2023.

Table 3. Cameroon: Balance of Payments, 2021–27
(CFAF billion, unless otherwise indicated)

	2021		2022		2023		2024	2025	2026	2027
	2nd Rev.	Est.	2nd Rev.	Est.	2nd Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
					(CFAF billion)					
Current account balance	**-1,003**	**-997**	**-574**	**-429**	**-771**	**-846**	**-960**	**-908**	**-948**	**-991**
Trade balance	-379	-288	-188	99	-377	-384	-438	-441	-444	-466
Exports, goods	3,261	3,336	4,638	4,366	4,323	3,998	4,060	4,266	4,470	4,759
Oil and oil products	1,237	1,238	2,063	1,934	1,763	1,613	1,585	1,572	1,548	1,582
Non-oil sector	2,024	2,098	2,576	2,432	2,560	2,385	2,475	2,694	2,921	3,176
Imports, goods	-3,640	-3,624	-4,827	-4,266	-4,700	-4,382	-4,498	-4,707	-4,914	-5,225
Services (net)	-344	-588	-346	-542	-371	-434	-442	-436	-429	-451
Exports, services	1,308	800	1,494	1,144	1,574	1,357	1,504	1,658	1,812	1,954
Imports, services	-1,652	-1,389	-1,839	-1,686	-1,946	-1,791	-1,946	-2,094	-2,241	-2,405
Income (net)	-572	-405	-363	-374	-331	-360	-373	-387	-404	-426
Of which: interest due on public debt	-197	-197	-157	-180	-156	-194	-218	-222	-223	-235
Transfers (net)	291	285	323	389	308	333	292	357	329	353
Inflows	448	434	492	565	487	523	498	577	562	601
Outflows	-157	-149	-169	-176	-179	-191	-206	-220	-233	-248
Capital and financial account balance	**1,003**	**1,279**	**613**	**697**	**823**	**727**	**1,001**	**1,097**	**1,216**	**1,272**
Capital account	67	67	33	33	35	35	38	42	44	40
Capital transfers	33	41	33	33	35	35	38	42	44	40
Financial account	936	1,212	580	663	787	692	963	1,055	1,172	1,232
Official capital	133	155	227	227	236	91	230	313	368	389
Borrowing	719	832	747	747	813	795	893	970	1,039	1,074
Of which: SDR Allocation	-209	-209	0	0	0	0	0	0	0	0
Amortization	-586	-677	-520	-520	-577	-704	-663	-657	-672	-687
Non-official capital (net)	840	968	519	499	622	620	708	787	849	888
of which: Foreign direct investment	359	504	503	480	629	599	684	761	823	860
Short-term private capital, net	-37	89	-166	-62	-71	-20	25	-45	-45	-45
Errors and omissions	**0**	**-7**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**0**	**275**	**39**	**268**	**51**	**-119**	**41**	**189**	**269**	**281**
Financing	**0**	**-275**	**-39**	**-268**	**-51**	**119**	**-41**	**-189**	**-269**	**-281**
Bank of Central African States	-373	-373	-374	-555	-316	-77	-168	-107	-129	-112
IMF Repayments	0	0	0	0	-34	-24	-53	-82	-139	-169
SDR Allocation	-209	-209	0	0	0	0	0	0	0	0
Financing gap	373	0	335	287	298	220	180	0	0	0
IMF Financing	96		150	115	87	91	92	0	0	0
Budget Support (excl. IMF)	111		185	172	211	129	88	0	0	0
Exceptional Financing	166		0	0	0	0	0	0	0	0
Residual gap	0		0	0	0	0	0	0	0	0
					(Percent of GDP)					
Trade balance	**-1.5**	**-1.1**	**-0.7**	**0.4**	**-1.3**	**-1.3**	**-1.4**	**-1.3**	**-1.2**	**-1.2**
Oil exports	4.9	4.9	7.5	7.1	6.0	5.4	4.9	4.5	4.2	4.0
Non-oil exports	8.0	8.3	9.4	8.9	8.7	8.0	7.6	7.7	7.8	8.0
Imports	14.5	14.4	17.6	15.7	16.0	14.7	13.9	13.5	13.2	13.1
Current account balance										
Including grants	-4.0	-4.0	-2.1	-1.6	-2.6	-2.8	-3.0	-2.6	-2.5	-2.5
Excluding grants	-4.4	-4.2	-2.6	-2.2	-3.0	-3.2	-3.0	-2.8	-2.6	-2.5
Overall balance	**0.0**	**1.1**	**0.1**	**1.0**	**0.2**	**-0.4**	**0.1**	**0.5**	**0.7**	**0.7**
Foreign direct investment	**1.4**	**2.0**	**1.8**	**1.8**	**2.1**	**2.0**	**2.1**	**2.2**	**2.2**	**2.2**
					(Percentage change, unless otherwise indicated)					
Export volume	14.0	14.1	3.2	4.2	8.1	6.3	6.3	8.4	7.2	6.1
Crude oil	-3.7	-3.5	0.9	-11.1	0.6	0.7	1.1	0.3	0.3	0.3
Nonoil	18.6	18.6	3.7	7.4	9.6	7.3	7.2	9.6	8.2	6.9
Import volume	15.7	15.6	5.6	-1.4	4.9	7.2	7.2	5.8	4.6	5.0
Terms of trade	7.0	9.4	7.1	3.6	-7.1	-8.4	-1.9	-2.6	-2.1	-0.9
Non-oil export price index	-0.3	3.3	22.8	8.0	-9.3	-8.6	-3.1	-0.7	0.2	1.8
Export price index	12.7	15.2	37.8	25.6	-13.8	-13.9	-4.5	-3.1	-2.3	0.3
Import price index	5.3	5.3	28.7	21.2	-7.1	-5.9	-2.6	-0.5	-0.2	1.3
Oil price ($US dollars per barrel)	69.1	69.2	106.8	96.4	92.6	81.9	77.1	72.6	69.1	66.4

Sources: Country 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.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	**2,627**	**3,193**	**3,278**	**3,437**	**3,656**	**3,955**	**4,266**
Bank of Central African States (BEAC)	1,351	1,854	1,864	1,993	2,182	2,451	2,732
Of which : BEAC foreign assets	2,522	3,191	3,268	3,435	3,542	3,672	3,784
Of which: IMF credit	-672	-794	-861	-900	-818	-678	-510
Commercial banks	1,277	1,339	1,414	1,444	1,474	1,504	1,534
Net domestic assets	**4,697**	**4,964**	**5,537**	**6,248**	**6,799**	**7,242**	**7,843**
Domestic credit	5,648	6,126	6,849	7,461	7,962	8,254	8,856
Net claims on the public sector	2,310	2,328	2,721	3,030	3,221	3,190	3,456
Net credit to the central government	2,295	2,319	2,711	3,071	3,281	3,471	3,708
Central Bank	964	978	920	930	791	596	438
Claims	1,249	1,371	1,438	1,477	1,395	1,255	1,086
Credit under statutory ceiling	577	577	577	577	577	577	577
Counterpart of IMF credit	672	794	861	900	818	678	510
Deposits	-285	-393	-517	-547	-604	-659	-648
Commercial Banks	1,332	1,341	1,791	2,141	2,491	2,851	3,223
Claims on the Treasury	1,394	1,341	1,791	2,141	2,491	2,851	3,223
Deposits	-63	0	0	0	0	0	0
Deposits of other public entities	-443	-562	-562	-612	-632	-852	-852
Credit to autonomous agencies	24	27	27	27	27	27	29
Credit to the economy 1/	3,772	4,342	4,673	4,975	5,285	5,608	5,972
Credit to public enterprises	434	544	544	544	544	544	571
Credit to financial institutions	44	57	57	57	57	57	57
Credit to the private sector	3,294	3,742	4,072	4,374	4,684	5,008	5,344
Other items (net)	-951	-1,163	-1,313	-1,213	-1,163	-1,013	-1,013
Broad money	**7,324**	**8,157**	**8,815**	**9,685**	**10,455**	**11,197**	**12,110**
Currency outside banks	1,541	1,614	1,745	1,919	2,073	2,221	2,404
Deposits	5,784	6,544	7,070	7,766	8,382	8,975	9,705
Memorandum items:							
Net borrowing from the central bank excluding IMF	292	184	60	30	-27	-82	-71
Contribution to the growth of broad money (percentage points)							
Net foreign assets	4.3	7.7	1.0	1.8	2.3	2.9	2.8
Net domestic assets	12.9	3.6	7.0	8.1	5.7	4.2	5.4
Of which : net credit to the central government	6.5	0.3	4.8	4.1	2.2	1.8	2.1
Credit to the economy (annual percentage change)	10.7	15.1	7.6	6.5	6.2	6.1	6.5
Credit to the private sector							
Annual percentage change	9.7	13.6	8.8	7.4	7.1	6.9	6.7
In percent of GDP	13.1	13.8	13.7	13.5	13.4	13.5	13.4
Broad money (annual percentage change)	17.2	11.4	8.1	9.9	8.0	7.1	8.2
Currency outside banks	15.5	4.7	8.2	10.0	8.0	7.2	8.2
Deposits	17.6	13.1	8.0	9.8	7.9	7.1	8.1
Velocity (GDP/average M2)	3.4	3.3	3.4	3.3	3.3	3.3	3.3

Sources: BEAC and IMF staff calculations.
1/ Credit to the economy includes credit to public enterprises, financial institutions, and the private sector.

Table 5. Cameroon: Capacity to Repay the Fund, 2023–36

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Fund obligations based on existing credit														
(SDR millions)														
Principal	29.0	63.5	96.6	159.2	180.9	146.0	123.9	90.8	46.6	17.2	-	-	-	-
Charges and interest	15.0	20.0	20.0	19.7	18.6	17.4	16.2	14.9	13.7	12.8	12.6	12.6	12.6	12.6
Fund obligations based on existing and prospective credit (SDR, millions)[1]														
Principal	29.0	63.5	96.6	159.2	187.1	171.1	161.3	130.0	85.9	56.4	29.4	4.9	-	-
Charges and interest	17.1	25.3	26.2	25.9	24.9	23.2	21.0	18.8	16.5	14.5	13.3	12.7	12.6	12.6
Total obligations based on existing and prospective credit														
SDR millions	46.1	88.8	122.8	185.1	211.9	194.3	182.3	148.8	102.3	71.0	42.8	17.6	12.6	12.6
CFAF billions	38.0	73.8	104.6	161.9	191.4	182.4	171.1	139.6	96.0	66.6	40.1	16.5	11.8	11.8
Percent of government revenue	0.8	1.5	2.0	2.9	3.1	2.8	2.4	1.8	1.2	0.8	0.4	0.2	0.1	0.1
Percent of exports of goods and services	0.7	1.3	1.8	2.6	2.9	2.5	2.2	1.7	1.1	0.7	0.4	0.2	0.1	0.1
Percent of debt service[2]	4.2	8.4	11.9	18.1	20.8	21.6	18.2	12.7	8.4	5.8	4.0	1.5	1.0	1.0
Percent of GDP	0.1	0.2	0.3	0.4	0.5	0.4	0.4	0.3	0.2	0.1	0.1	0.0	0.0	0.0
Percent of quota	16.7	32.2	44.5	67.1	76.8	70.4	66.1	53.9	37.1	25.7	15.5	6.4	4.6	4.6
Percent of gross reserves	1.2	2.1	3.0	4.4	5.1	4.5	4.0	3.2	2.2	1.5	0.9	0.4	0.3	0.3
Outstanding IMF credit based on existing and prospective drawings														
SDR millions	1,090.2	1,081.9	985.3	826.2	639.1	468.0	306.7	176.6	90.8	34.4	4.9	0.0	0.0	0.0
CFAF billions	897.7	899.1	838.9	722.8	577.1	439.1	287.8	165.8	85.2	32.2	4.6	0.0	0.0	0.0
Percent of government revenue	19.5	18.1	15.8	12.8	9.4	6.7	4.1	2.2	1.0	0.4	0.0	0.0	0.0	0.0
Percent of exports of goods and services	16.8	16.2	14.2	11.5	8.6	6.1	3.7	2.0	1.0	0.3	0.0	0.0	0.0	0.0
Percent of debt service[2]	100.0	102.0	95.4	80.8	62.6	52.1	30.6	15.1	7.4	2.8	0.5	0.0	0.0	0.0
Percent of GDP	3.0	2.8	2.4	1.9	1.5	1.0	0.6	0.3	0.2	0.1	0.0	0.0	0.0	0.0
Percent of quota	395.0	392.0	357.0	299.3	231.6	169.6	111.1	64.0	32.9	12.4	1.8	0.0	0.0	0.0
Net use of Fund credit (SDR millions)	69.0	-8.3	-96.6	-159.2	-187.1	-171.1	-161.3	-130.0	-85.9	-56.4	-29.4	-4.9	0.0	0.0
Disbursements	98.0	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	29.0	63.5	96.6	159.2	187.1	171.1	161.3	130.0	85.9	56.4	29.4	4.9	0.0	0.0
Memorandum items: (CFAF billions)														
Nominal GDP	29,749	32,393	34,866	37,226	39,777	42,492	45,442	48,500	51,764	55,238	58,951	62,921	67,168	71,766
Exports of goods and services	5,355	5,564	5,923	6,281	6,713	7,226	7,719	8,201	8,718	9,243	9,806	10,411	11,061	11,766
Government revenue	4,602	4,964	5,302	5,664	6,107	6,531	7,033	7,591	8,177	8,841	9,625	10,482	11,364	12,296
Debt service[2]	898	882	879	895	921	843	940	1,100	1,144	1,155	1,004	1,115	1,151	1,163
CFAF per SDR (period average)	823.4	831.0	851.4	874.9	903.0	938.4	938.4	938.4	938.4	938.4	938.4	938.4	938.4	938.4

Source: IMF staff calculations.

1/ On, July 14, 2021, the IMF Executive Board approved a modified interest rate setting mechanism which effectively sets interest rates to zero on ECF and SCF through July 2023 and possibly longer, while interest rate on RCF remains at zero percent, in line with the Executive Board's decision in 2015. Based on these decisions, the following interest rates are assumed beyond July 2023: 0/0/0 percent per annum for the ECF, SCF and RCF, respectively. The Executive Board will review the interest rates on concessional lending by end-July 2023 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, 2015–22

(Percent)

	2015	2016	2017	2018	2019	2020	2021	2022*
Capital adequacy								
Total bank regulatory capital to risk-weighted assets[1]	10.2	9.1	9.7	10.8	10.8	13.8	14.2	14.7
Total capital (net worth) to assets	5.26	4.31	4.54	4.98	5.11	6.49	6.49	6.40
Asset quality								
Non-performing loans (gross) to total loans (gross)	12.3	13.5	12.4	14.8	14.7	15.8	14.1	15.0
Non-performing loans less provisions to regulatory capital	40.9	50.5	29.7	40.2	31.4	31.8	11.6	16.1
Earnings and profitability								
Return on equity[2]	12.7	1.5	19.0	15.4	17.5	13.4	12.6	
Return on assets	1.7	0.8	2.0	1.8	2.1	1.8	1.7	
Non interest expense to gross income	90.8	93.7	88.8	88.8	97.0	89.6	84.3	
Liquidity								
Liquid assets to total assets	23.1	23.2	24.2	26.4	26.1	30.1	30.3	30.6
Liquid assets to short-term liabilities	147.5	148.7	149.3	162.4	164.1	182.4	189.3	194.2

Source: Banking Commission of Central Africa (COBAC).
1/ Calculated according to the Basel I guidance.
2/ Return in ROE is calculated based on annualized net profit before tax.
*As of end-April.

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

Availability Date	Conditions for Disbursement	Amount (Percent of Quota)[1]			Amount (Millions of SDRs)		
		Total	**ECF**	**EFF**	**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)

	2022	2023	2024	2025	2026	2027
Total Financing Requirements	**1504**	**1651**	**1844**	**1754**	**1888**	**1959**
Current Account Deficit	429	846	960	908	948	991
Amortization of PPG Debt	520	728	716	739	811	856
Gross Reserves Accumulation (+ = increase)	555	77	168	107	129	112
Financing Sources	**1217**	**1431**	**1664**	**1754**	**1888**	**1959**
Capital Account	33	35	38	42	44	40
Financial Account	1183	1396	1626	1713	1844	1919
Financing Gap	**287**	**220**	**180**	**0**	**0**	**0**
Additional/Exceptional Financing Sources	**287**	**220**	**180**	**0**	**0**	**0**
IMF Financing	**115**	**91**	**92**	**0**	**0**	**0**
Prospective ECF	*38*	*30*	*31*	*0*	*0*	*0*
Prospective EFF	*77*	*61*	*61*	*0*	*0*	*0*
Budget Support (excl. IMF)	**172**	**129**	**88**	**0**	**0**	**0**
AFDB	*50*	*41*	*0*	*0*	*0*	*0*
WB	*62*	*61*	*62*	*0*	*0*	*0*
France	*45*	*27*	*26*	*0*	*0*	*0*
EU	*0*	*0*	*0*	*0*	*0*	*0*
Other	*15*	*0*	*0*	*0*	*0*	*0*
Exceptional Financing	**0**	**0**	**0**	**0**	**0**	**0**
DSSI	*0*	*0*	*0*	*0*	*0*	*0*
Residual gap	**0**	**0**	**0**	**0**	**0**	**0**

Source: Country authorities and IMF staff calculations.

Annex I. Risk Assessment Matrix (August 4, 2022)[1]

Source of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
		External Risks	
Intensifying spillovers from Russia's war in Ukraine.	**High**	Intensifying spillovers from Russia's war in Ukraine. Further sanctions resulting from the war and related uncertainties exacerbate trade and financial disruptions and commodity price volatility, with Europe, LICs, and commodity-importing EMs among the worst hit.	Reinforce external buffers. Enhance social safety net. Diversify import sources.
Commodity price shocks.	**High**	Commodity price shocks. A combination of continuing supply disruptions (e.g., due to conflicts and export restrictions) and negative demand shocks causes recurrent commodity price volatility and social and economic instability.	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.
Systemic social unrest.	**High**	Systemic social unrest. Rising inflation, declining incomes, and worsening inequality amplify social unrest and political instability, causing capital outflows from EMDEs, slowing economic growth, and giving rise to economically damaging populist policies (e.g., preserving fossil fuel subsidies).	Implement targeted measures to strengthen social protection and mitigate the impact of rising prices.
Abrupt global slowdown or recession	**Medium**	Abrupt global slowdown or recession. Global and idiosyncratic risk factors combine to cause a synchronized sharp growth slowdown, with outright recessions in some countries, spillovers through trade and financial channels, and downward pressures on some commodity prices.	Build policy buffers during the period of high commodity prices to create space for accommodative policies during recession. In the long run, continue efforts of export diversification and private sector reforms.
Local COVID-19 outbreaks.	**Low**	Local COVID-19 outbreaks. Outbreaks in slow-to-vaccinate countries or emergence of more contagious vaccine-resistant variants force new lockdowns or inhibit commerce. This results in extended supply chain disruptions, slower growth, capital outflows, 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 and stagflation.	**Medium**	De-anchoring of inflation expectations and stagflation. Supply shocks to food and energy prices sharply increase headline inflation and pass through to core inflation, de-anchoring inflation expectations and triggering a wage-price spiral in tight labor markets. Central banks tighten monetary policy more than envisaged leading to weaker global demand, currency depreciations in EMDEs, and sovereign defaults. Together, this could lead to the onset of stagflation.	In the short term, tighten monetary and financial conditions as needed to constrain inflation and anchor inflation expectations. In the medium term, accelerate implementation of structural reforms to strengthen growth and labor and product markets.
Sharp tightening of global financial conditions	**Medium to High**	EMDEs: Sharp tightening of global financial conditions combined with volatile commodity prices leads to spiking risk premia, widening of external imbalances	Identify concessional financing sources. Continue reforms to strengthen domestic resource mobilization and debt management as well as domestic capital and financial markets.

[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
		and fiscal pressures, capital outflows, sudden stops, and debt and financial crises across EMDEs.	
Natural disasters related to climate change.	Medium	Natural disasters related to climate change. More frequent natural disasters deal severe damage to infrastructure (especially in smaller vulnerable economies) and amplify supply chain disruptions and inflationary pressures, causing water and food shortages and reducing medium-term growth.	Develop a strategy for strengthening resilience and adaptation mechanisms based on recent CCDR recommendations.
		Domestic Risks	
Deterioration of domestic sociopolitical conditions	Medium	Uncertainty regarding the succession of President Biya could threaten period of relative political stability in the country. The ongoing crisis in the Anglophone regions has fueled social discontent and is yet to be resolved.	Increase dialogue with civil society and business community.
Deterioration of domestic political conditions.	Medium	Given perceptions of poor governance and corruption it may be difficult to maintain a sustainable consensus to govern. This could compromise the macroeconomic stabilization gains made over the last three years and derail key reforms.	Intensify communication on 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	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	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	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 more effective security by curtailing unproductive public investments; prepare contingency plans for refugees with UNHCR.
Contingent risks from state-owned enterprises	Medium	Contingent risks from state-owned enterprises could impose further pressures on public finances and the ongoing fiscal consolidation under the program.	Contain contingent risks through enhanced monitoring and timely reporting of the risks of the state-owned enterprises and developing reforms and strategies to put SOEs on a sound financial footing.

Annex II. Cameroon's COVID-19 Response

Evolution of the Pandemic in Cameroon

1. Since the first cases of COVID-19 infection were reported on March 6, 2020, Cameroon has experienced four waves of infections. Weekly confirmed infection cases peaked in June 2020 and then declined gradually up to November 2020. Following a resurgence in COVID-19 infection cases in early 2021, with an increase in fatality rates, the number of infections dipped mid-year to peak again in October. All ten 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.

2. The WHO (World Health Organization) considers Cameroon to be in a controlled risk of resurgence phase COVID-19 since February 2022. The most recent wave, the fourth peaked in the first week of 2022 (2358 cases). As of September 26, 2022, there were 121,652 of confirmed cases of COVID-19 in Cameroon reported to WHO, with 1,935 deaths.

3. Until end-2022, the authorities have been implementing a COVID-19 response plan, covered by dedicated resources. This provision is not available under the 2023 budget. However, the government has opted to merge COVID-19 provisions with actions to strengthen the Social Safety Nets project, Universal Health Coverage, and health monitoring in the context of the fight against all epidemics and pandemics, including COVID-19.

Government's Response to Prevent the Spread of the Virus

4. The Cameroonian authorities swiftly responded to the COVID-19 shock. The rapid containment measures and the emergency health and economic package were instrumental in minimizing the number of cases, allowing for a substantial reopening by April-June-2020. The response was supported by two disbursements under the RCF, followed by arrangements under the ECF-EFF.

5. 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 countries with high levels 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 included electronic communications and digital tools for meetings of over 10 persons and compliance with hygiene measures recommended by the WHO. Additional measures were introduced on April 10, 2020, including mask wearing in all areas open to the public, local production of anti-COVID drugs, establishing specialized treatment centers in all regional capitals, and intensifying screening and awareness.

6. 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.

7. 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.

Economic Measures to Mitigate the Impact of the Pandemic

8. 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.

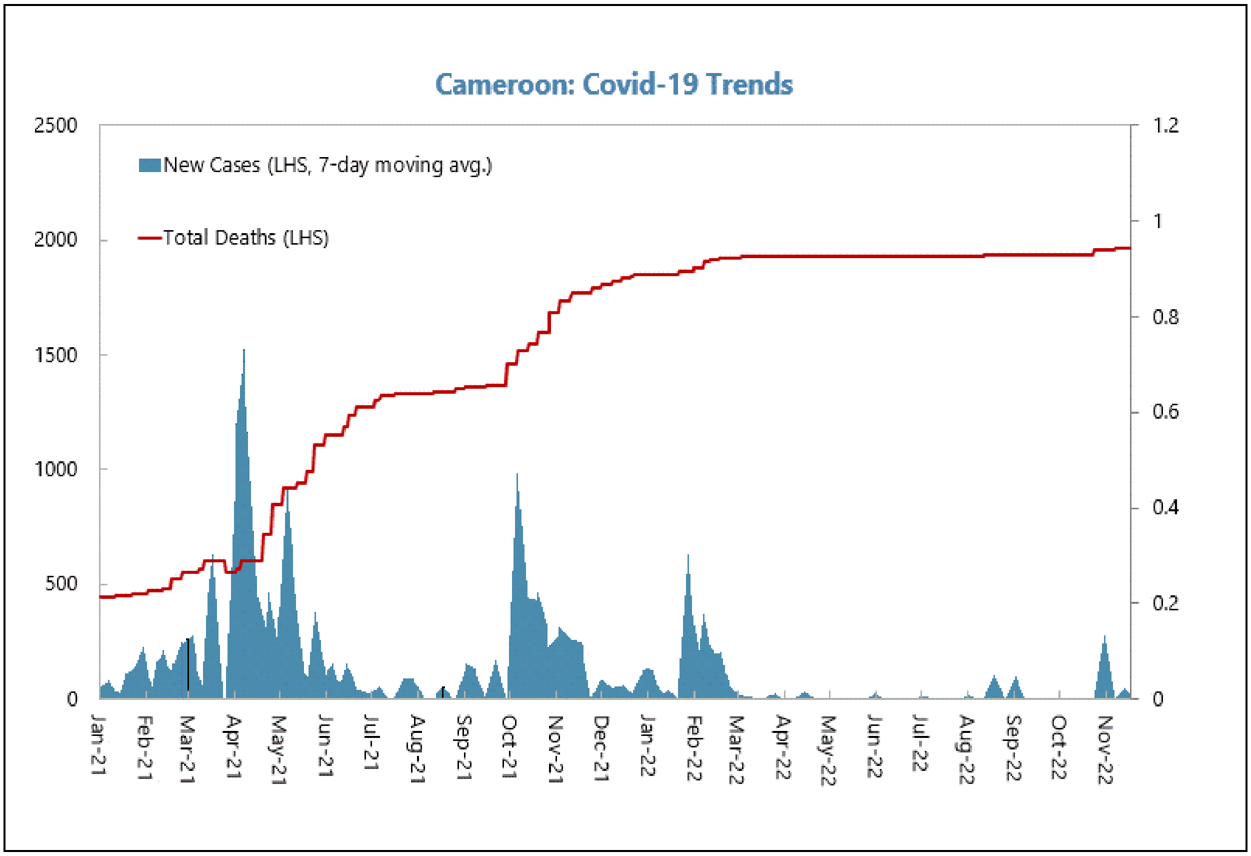
9. Measures were also taken to alleviate the impact of the pandemic on households. These included (i) an increase in the family allowance from CFAF 2,800 to CFAF 4,500; (ii) a raise of 20 percent on pensions that did not benefit from a 2016 reform; (iii) a three-month payment of family allowances to 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.

10. The authorities also 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).

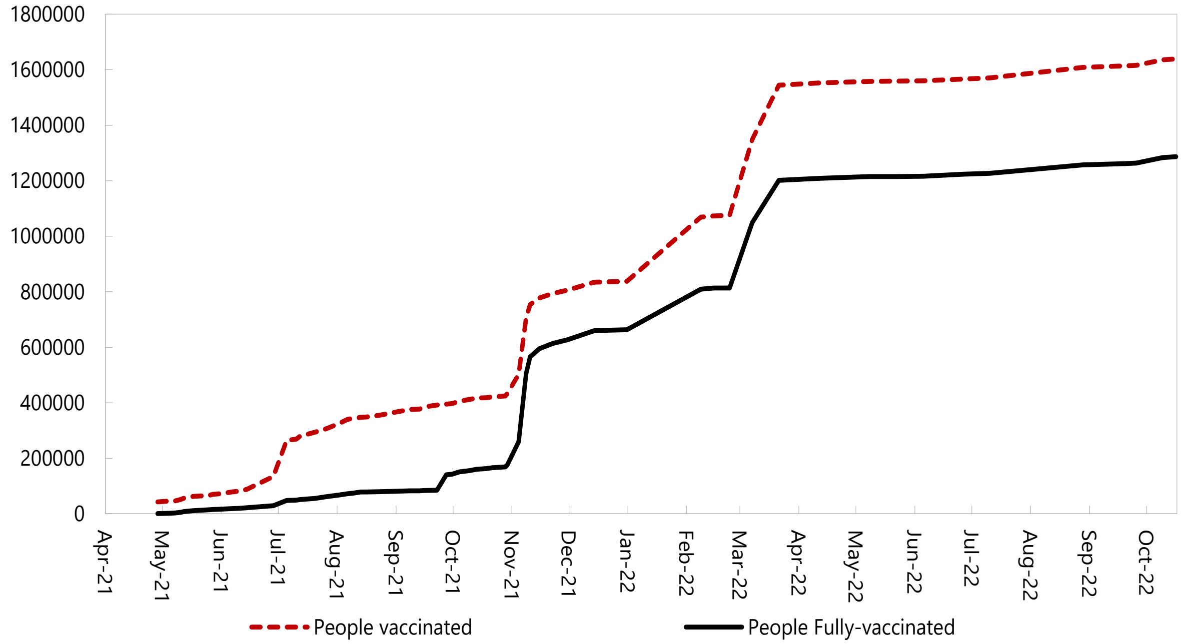
11. The special COVID-19 account, dedicated to financing the national response plan to the pandemic, was set up, but is being discontinued. For 2020, the Revised Budget Law enacted in June 2020 allocated close to US$310 million to the special COVID-19 account financed at 76 percent by external budgetary support and resources released by debt service suspension. The 2021 Revised Finance Law allocated close to $363 million to the special COVID-19 account, of which $148 million for vaccination. The 2022 Budget allocated $218 million for COVID-19 related spending. However, the Special COVID account (CAS COVID) has been discontinued under the 2023 Budget.

Vaccination Campaign

12. Cameroon has adopted a national vaccine readiness and deployment plan, prepared under the guidance of the UN, but vaccination rates remain low. As of November 2022, only about 5 percent of the total population was fully vaccinated. The authorities continue their vaccination campaigns with the support of international partners especially the UN, but vaccine deployment is hindered by vaccine hesitancy and delivery organization, including storage, health infrastructure, and medical staff.



Cameroon: Covid-19 Vaccinations[1]



Sources: World Health Organization; John Hopkins Coronavirus Resource Center

1/ Data as of November 18th, 2022

Annex III. Cameroon's Capacity Development Strategy Note (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.

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 also find 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 Four Technical Assistance Priorities	
Priorities	**Objectives**
Tax policy and revenue administration	**1.** 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. **2.** 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	**3.** Raise the efficiency, effectiveness, and transparency of public expenditure, and reduce fiscal risks from SOEs.
Financial and Fiscal Law Reform	**4.** 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	**5.** Strengthen debt management capacity and improve consistency between borrowing decisions and the MTDS.
Government Financial Statistics	**6.** Improve data compilation and reporting

Annex IV. Fuel Subsidy Reform[1]

1. While the fuel subsidy was intended to protect consumers, its cost has substantially increased with the recent surge in global oil prices. In the absence of domestic price adjustment to reflect international oil price developments, the estimated spending on the fuel subsidy increased from about CFAF 200 billion (0.8 percent of GDP) in 2021 to around CFAF 800 billion (almost 3 percent of GDP) in 2022, or four-fold. Such a sizable increase resulted in weakening fiscal performance and inability to meet program targets. Moreover, higher-than-expected fuel import prices and currency depreciation resulted in higher fuel subsidy squeezing out other spending and accumulation of domestic payment arrears. The subsidy was not targeted and therefore unequally benefitted consumers at higher income levels. Going forward, phasing out the subsidy is needed to achieve fiscal sustainability.

Figure 1. Global Crude Prices and Domestic Gasoline Prices
(Index, Q1 2010 = 100)

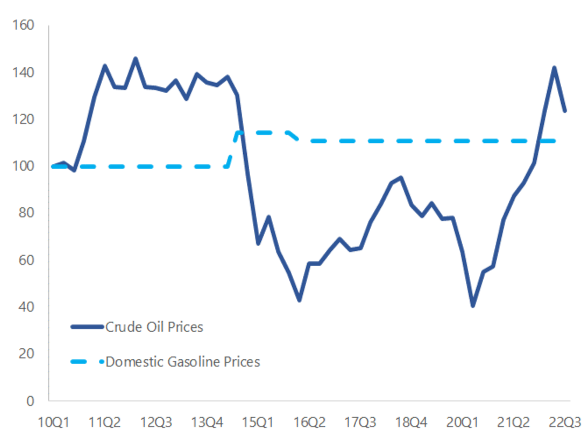
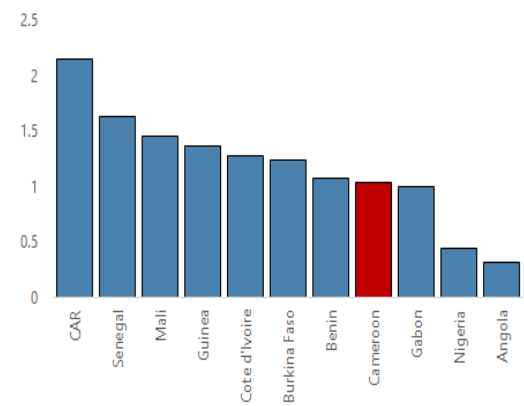


Figure 2. Gasoline Prices per Liter
(US Dollars)



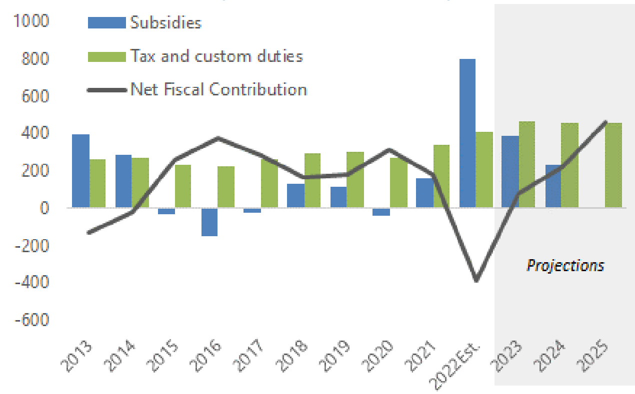
Source: Country authorities, IMF staff calculations, GlobalPetrolPrices.com, as of January 23, 2023.

2. The authorities increased domestic fuel prices on February 1, 2023. The average increase across main fuel products reaches 21 percent, in line with staff recommendations. This increase would allow bringing the net fiscal contribution (NFC) of the fuel subsidy to zero, where NFC is measured as the difference between the total fuel subsidy and the tax and customs revenue from fuel (Figure 3). Under the current assumptions, the announced increase in fuel prices is estimated to reduce the fuel subsidy by about CFAF 238 billion (0.8 percent of GDP) and allow an estimated positive NFC of about CFAF 76 billion (around 0.3 percent of GDP).

[1] Estimates in this Annex are based on the methodology proposed in Annex III of the second review Staff Report published in July 2022.

3. The authorities agree to the need to gradually phase out the fuel subsidy by 2025. To do so, the authorities would need to proceed to further increase pump prices in 2024-25. Under the current assumptions, staff simulations suggest an increase in pump prices of about 10 percent in each year. The positive cumulative net fiscal contribution in 2024-25 from this adjustment is estimated at about 2 percent of GDP. While these estimates are sensitive to global oil price assumptions and subject to uncertainty, allowing the pass-through from global energy prices to domestic prices would alleviate the budget cost of the fuel subsidy and create space for accommodating other higher priority spending, including for social and development needs.

Figure 3. Fuel Price Adjustment Simulation
(In billions of CFAF)



Source: Country authorities and IMF staff calculations.

Appendix I. Letter of Intent

Madam Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. USA
Yaoundé, February 24, 2023

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, further exacerbated by the Russia-Ukraine conflict. To support the needs of its population and contribute to meeting its balance of payments needs and rebuilding its regional foreign exchange reserves, the government adopted an economic recovery program in line with the regional economic and financial reform program (PREF-CEMAC), and with commitments made at the Extraordinary Summit of CEMAC Heads of State in November 2019 and August 2021.

2. Following the COVID-19 shock in 2020, the economic recovery that began in 2021 has now been pushed back by spillovers from the war in Ukraine, especially the surge in global prices and the slowdown in growth in advanced economies. The outlook remains positive, despite uncertainties notably about the end of the war.

3. Program performance is mixed. While all quantitative performance criteria at end-June 2022 were met, a performance criterion was missed at end-December 2022, namely the floor on non-oil primary balance. A continuous performance criterion on the ceiling on the accumulation of new external arrears was also temporarily missed. Three indicative targets at end-June and end-September 2022 were also missed, namely the ceilings on the direct interventions of the State Hydrocarbons Company (SNH), the share of government spending executed through exceptional procedures, and the net accumulation of domestic arrears. The structural reform agenda is progressing but with some delays. Thus, of the 14 structural benchmarks for the third review two were met, five were implemented with delay and six have been reformulated and/or rephased and one not rephased due to the non-availability of the BEAC's IT platform. We propose corrective measures to address missed targets.

4. The government will continue to implement policies consistent with regional external stability, which requires the rebuilding of foreign exchange reserves at the BEAC. 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 continue to support the BEAC to implement reforms and ensure that the 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. We used CFAF 50 billion in 2021, CFAF 70 billion in 2022, CFAF 60 billion in January 2023 and expect to use another CFAF 20 billion by the end of 2023, totaling 91 percent of the allocation to attenuate the socio-economic impact of the crisis.

6. The attached Memorandum of Economic and Financial Policies (MEFP) supplements those of July 13, 2022, February 4, 2022, and July 15, 2021. It describes the economic and financial situation in 2022, outlines the government's economic and financial policies for 2023, and defines the quantitative criteria, indicative targets, and structural benchmarks through end-2023.

7. The government requests that the IMF Executive Board approve changes to the program targets for end-March and end-June 2023, which have been revised in line with the updated macroeconomic projections and adopted policies. Based on corrective actions that were taken, we request a waiver for non-observance of the end-December 2022 performance criterion on the non-oil primary deficit. In addition, we request a waiver for the breach of the continuous performance criterion on the non-accumulation of external arrears due to the minor (0.08 percent of GDP) and temporary nature of the non-observance, and these arrears have been cleared. We also request waivers of applicability for the remaining performance criteria for end-December 2022 as the data will not be known before the Executive Board meeting scheduled in early March 2023, and there is no clear evidence that such performance criteria will not be met.

8. Considering the achievements under the program and the commitments in the MEFP, the government requests the conclusion of the third review of ECF-EFF supported arrangements and the disbursement and purchase of SDR 18.4 million and SDR 36.8 million, respectively.

9. The government is convinced that the policies and measures presented in the MEFP are adequate to achieve the program targets and is committed to accelerate its implementation of reforms and to take any additional measures required. The government will consult with the IMF on additional measures or before revising measures in the MEFP in accordance with the IMF policy on such consultations. To facilitate program monitoring, the government will report the information required to IMF staff 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 in 2023
February 2023

INTRODUCTION

1. Cameroon proved resilient to the COVID-19 shock but is now facing heightened risks in an uncertain global environment. The adverse effects of the COVID-19 pandemic and the difficult security context have been exacerbated by the continuing Russia-Ukraine conflict. The nascent economic recovery from mid-2021, supported by higher oil prices and non-oil production has been slowed down by notably high inflationary pressures, slower global growth, and tightening global financial conditions. Even so, the outlook for the near term remains positive despite the large uncertainties.

2. The National Development Strategy (SND-30) and the post-COVID-19 Economic Support and Recovery Plan frame our strategic priorities. The government remains committed to restoring strong, sustained, and inclusive economic growth in keeping with the SND-30. The government's medium-term objective is to consolidate the recovery to accelerate Cameroon's graduation to an emerging economy. Maintaining macroeconomic stability remains a prerequisite, and the government will continue to take steps to curb the spillovers from the conflict in Ukraine. Meeting the objective will also require a structural transformation of the economy. Notably, this entails accelerating economic diversification, supported by the authorities' policy of import substitution and export promotion, 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.

RECENT ECONOMIC DEVELOPMENTS

3. Following the contraction in mid-2020, Cameroon's economic recovery has continued but at a slower pace than envisaged. After reaching 3.6 percent in 2021, growth is projected to reach 3.4 percent in 2022, versus 4.5 percent originally projected in the 2022 budget law. Initially supported by the resurgence of domestic and external demand, the recovery has been held back by the security crisis in certain regions and disruptions to the supply of staple necessities since late 2021, which have been further exacerbated by the war in Ukraine. The sharp increase in international prices has fed into import prices, especially for wheat, clinker, rice, and refined petroleum products, and has been accompanied by some temporary shortages. Despite measures taken by the government, domestic inflation reached 5.7 percent in September 2022, with much larger increases for some food items, and is expected to reach 6 percent at end-2022.

4. Higher prices for food and agricultural inputs (e.g., fertilizer and seeds) and supply disruptions have raised food security concerns. The government has introduced export bans on key items (i.e., fertilizers, cement, rice, refined oil, and wheat flour), but the impact is mitigated by the high incidence of informal trade. To reinforce food security in the country, the World Bank and

AfDB have also provided the authorities with substantial support, targeted to the most affected sectors.

5. **The fiscal position has been shaped by external shocks and the policy response.** Higher oil revenues and solid non-oil revenue performance are expected to help narrow the overall deficit to around 1.8 percent of GDP in 2022 from 3 percent in 2021. However, the stronger budget revenues have been outweighed by the increased current spending, mainly on fuel subsidies that were estimated to reach around CFAF 800 billion (3 percent of GDP) in 2022. As a result, the non-oil primary balance is expected to worsen to 4.5 percent of GDP from 3.9 percent of GDP in 2021.

6. **Public debt as a share of GDP remained stable in 2022.** Public debt is projected to reach 46.4 percent of GDP at end-2022, down from 46.8 percent at end-2021, amidst stronger growth and tighter overall fiscal stance. External public debt is projected to increase to 32.7 percent of GDP at end-2022, up from 31.7 percent at end-2021.

7. **The external balance in 2022 has benefitted from the rise in oil export prices, which more than offset increased import prices.** The current account deficit (including grants) is projected to narrow from 4 percent of GDP in 2021 to 1.6 percent of GDP in 2022 before levelling off below 3 percent in the medium term. In addition, the CEMAC foreign exchange regulations have helped restrain the exit of capital, but at the expense of slower import payment transactions.

IMPLEMENTATION OF THE ECONOMIC AND FINANCIAL PROGRAM

8. **All quantitative performance criteria at end-June 2022 were met, however, the floor on the non-oil primary fiscal balance at end-December 2022 and the continuous performance criterion on the non-accumulation of external payment arrears were not met.** The non-oil primary fiscal balance above the floor reflects the underestimation of the fuel subsidy in the budget (Table 1).

9. **Three indicative targets (ITs) at end-June and end-September 2022 were not met,** namely, the ceilings on the direct interventions of the National Hydrocarbons Company (SNH), the share of spending using exceptional procedures, and the accumulation of net domestic arrears (Table 1). Though trending downwards, SNH's direct interventions and the share of spending using exceptional procedures continued to exceed the target. This underperformance was partly due to security spending (e.g., SNH direct interventions) and partly because of higher advances to traders in the context of the large increase in international oil prices unaccompanied by higher retail fuel prices, as well as difficulties caused by the introduction of the new budget classification at the start of the year. The government is committed to improve the monitoring of the expenditure related to the direct interventions by SNH **(¶37).**

10. **Progress on structural benchmarks (SBs) has accelerated in recent months (Table 2)**. Of the 14 structural benchmarks for the Third Review, seven have been completed of which five with some delay. The government has met the following two SBs due in December 2022: (i) the completion of the diagnostic studies for three public enterprises **(SB4, ¶44)** and (ii) the

establishment of a mechanism to reconcile direct SNH interventions, with submission of the first quarterly report on SNH interventions by type of expenditure within 45 days starting from the first quarter of 2023 **(SB13, ¶37)**. The government also implemented the following five SBs with delay: (i) submission of a diagnostic of tax policy **(SB1, ¶28)** with a follow-up plan of action **(new SB18, ¶33)**; (ii) the nomination of management to operationalize the *Caisse des Dépôts et Consignations* **(SB8, ¶43);** (iii) the commitment to double the social cash transfers (*filets sociaux*) **(SB15, ¶26**); (iv) submission of a terms of reference for a study on the sustainability of the civil service pension system **(SB16, ¶37)**; and (v) the submission of a study on options for a reform of the existing fuel price mechanism **(SB17, ¶25).**

11. Six SBs that were not completed have been rephased (Table 2). (i) The audit of domestic arrears and the action plan to clear arrears certified by the audit has not been met **(SB2, ¶42, rephased to September 2023)**: the audit report has not yet been finalized because of the complex process to validate the amounts definitively; (ii) Regarding PPPs, the government has prepared the needed legal and regulatory framework, but adoption has been delayed pending the finalization of the CEMAC-wide regional framework **(SB5, ¶45, rephased to June 2023)**; (iii) The inventory and plan to clear debts between SOEs and the State was finalized in January 2023, but the inventory of debts between SOEs is delayed, mainly due to data constraints **(SB6, ¶42, rephased to September 2023**); (iv) The law to rationalize incentives to promote healthy competition between economic operators has not been revised **(SB9, ¶29, rephased to December 2023)**; (v) The action plan to strengthen the frameworks for public spending audits has been delayed reflecting delayed TA delivery plans **(SB11, ¶55, rephased to April 2023)** and (vi) The audit report on COVID-related expenditures has been delayed to allow time for beneficiary administrations to react to comments by the Supreme Court's Audit Bench and will be published by the end of March 2023 **(SB12, ¶55)**.

12. One unmet structural benchmark, due in December 2022, will not be rephased. The transfer of public entity accounts to the Treasury Single Account (TSA) has been delayed pending the completion of the IT platform at the BEAC **(SB3, ¶36)**.

13. One SB due for the next review was rephased. The diagnostic of vulnerabilities in governance and the fight against corruption was rephased from June 2023 to September 2023 **(SB10, ¶54)**. This new due date will allow sufficient time to undertake all the relevant steps for the diagnostic assessment.

14. Three new SBs have been introduced to support on-going reforms. The first aims to increase the number of active VAT taxpayers (as a follow-up to the recommendations of the tax policy diagnostic study) **(SB18, ¶33).** In line with the tax policy diagnostic study, the second aims to rationalize the incentives in the 2013 Law as an intermediate step for the structural benchmark to revise the 2013 Law **(SB9)**: the authorities are committed to undertake a study or preliminary audit of the outcome of the Law's implementation over the past 10 years with recommendations for a better system of investment tax incentives **(SB19, ¶29, ¶51)**. The third aims to improve project and debt management and the prioritization of externally financed investment **(SB20, ¶38).**

ECONOMIC AND FINANCIAL PROGRAM IN THE MEDIUM TERM

A. Macroeconomic Framework

15. The economic outlook remains positive, although enveloped by uncertainty. Assuming the pandemic wanes further in 2023, the non-oil sector is expected to support the continued recovery of overall economic growth to 4.3 percent in 2023. Oil sector output will recover in 2023 and then remain broadly unchanged in the medium term, as increasing gas production offsets the depletion of oil fields. Average inflation is expected at 5.9 percent in 2023 following retail fuel price adjustment and stabilize around 2 percent in the medium term.

16. Fiscal policy over the medium term will remain focused on a gradual fiscal consolidation to ensure the sustainability of public finances and the sound implementation of SND-30. The government's objective is to reduce the overall budget deficit (payment order basis, including grants) from 1.8 percent in 2022 to 0.3 percent in 2025—bringing the deficit in line with the CEMAC convergence criterion. This will bring the corresponding non-oil primary deficit to decline from the estimated 4.5 percent of GDP in 2022 to about 1.1 percent in 2025. Fiscal consolidation will permit public debt to be held on a sustainable trajectory. To achieve this, emphasis will be placed on reducing spending on the fuel subsidy by increasing domestic fuel prices and by mobilizing domestic non-oil fiscal revenues. The government aims to gradually eliminate spending on fuel subsidies over the medium term, which would allow reducing total primary spending (that is spending excluding public debt service) from around 17 percent GDP in 2022 to 14.4 percent of GDP in 2025. A mix of tax policy and revenue administration measures will support an increase of domestic non-oil revenue from 12 percent in 2022 to around 13.1 percent of GDP in 2025. In parallel, the government will pursue measures to rationalize other expenditures and improve budgetary discipline.

17. The 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 well-targeted mechanisms to protect the vulnerable. The government is committed to expanding the social safety nets. To this end, the government will gradually expand the conditional cash transfer mechanism to the most vulnerable households, with the support of the World Bank. To mitigate the impact of higher domestic retail fuel prices on the most vulnerable population and sectors, the government will develop a package of social measures. These measures will also help mitigate the impact of the reduction/elimination of price controls on certain products, which are poorly targeted and hinder private sector development.

18. The current account deficit should improve and decline below 3 percent of GDP in the medium term. Rising hydrocarbon prices should temporarily boost export earnings. Thereafter, programs to promote non-oil exports, import substitution, and regional integration should contribute to a gradual reduction of the current account deficit below 3 percent of GDP. Compliance with the CEMAC foreign exchange regulations should lead to greater repatriation of export proceeds and limit illicit outflows. This will also contribute to consolidating the region's net foreign assets, with the objective of achieving a coverage of nearly five months of imports for the region in the medium term.

19. **Monetary policy will remain geared towards achieving CEMAC's objectives for inflation and foreign reserves.** The continued 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 risking the stability of the financial system.

B. Fiscal Policy in 2023

20. **The 2023 Budget Law (LF23) articulated four broad priority areas for fiscal policy in 2023: security, economic, social, and governance.** This includes maintaining security and reconstructing regions in difficulty, completing major energy and transport projects, accelerating the import-substitution policy, and containing inflation, strengthening social safety nets, reinforcing the legal framework for decentralization, and initiating a general review of public policies.

21. **The LF23 includes innovations mainly relating to:** (i) revising the legal framework relating to mobilizing certain service revenues; (ii) continued rationalization of para-fiscality to transfer to the Treasury revenues earmarked to certain institutions in excess of their needs; (iii) introduction of a budget annex relating to fiscal risks; (iv) allocation of new revenues to certain Special Accounts (CASs), modification of their ceilings, and establishment of a new Special Fund for the reconstruction of the regions damaged by security tensions; (v) institution of an endorsement commission on guarantees granted by the State; (vi) closure of the public entity accounts in commercial banks and microfinance establishments; (vii) a new mechanism for transferring the proceeds of the Special Telecommunications Fund intended for the Investment Promotion Agency (API).

22. **The LF23 maintains the policy focus on fiscal consolidation in line with the medium-term objectives.** It aims to bring the overall budget deficit (payment order basis, including grants) from an estimated 1.8 percent of GDP in 2022 to 0.8 percent in 2023. The LF23 envisages a 0.4 percentage point increase in non-oil revenue to 12.4 percent of GDP in 2023 and a reduction in primary spending from 17 percent of GDP in 2022 to 15.2 percent of GDP in 2023.

23. **The fiscal outlook has been revised from the LF23 to take account of unforeseen developments given the substantial global uncertainties.** This includes updated projections for economic growth, inflation, and international oil prices. It also incorporates additional revenue and expenditure measures to bring the deficit on a firmer downward trajectory and which will be reflected in a revised budget. The revenue projections are broadly in line with the LF23. The revised outlook incorporates the recent increase in domestic retail fuel prices while providing more fiscal space for productive expenditures, including in health, education, and social protection. The reduction in fuel subsidies and additional measures allows the reduction in the overall deficit to 0.8 percent of GDP and the non-oil primary deficit to 2.4 percent of GDP.

C. Creating Fiscal Space for Productive Investment and Social Spending

24. Constraints on borrowing heighten the need to create fiscal space for priority expenditures, especially investment and social spending. Gradual phase out of fuel subsidies and emphasis on strengthening mobilization of domestic non-oil revenues should help provide the space needed.

Phasing out Fuel Subsidies and Boosting Social Spending

25. The government recognizes the need to reduce fuel subsidies in 2023, while introducing measures to mitigate the impact on the most vulnerable. Under current oil price projections and no policy change, fuel subsidies in 2023 are likely to reach CFAF 625 billion (2.1 percent of GDP). A gradual increase in retail fuel prices would create the fiscal space necessary for productive investment and social spending. To this end, the government has introduced the first fuel price increase on February 1, 2023 that is consistent with reducing the fuel subsidy to bring its net fiscal contribution to zero. The authorities intend to gradually eliminate the fuel subsidy over the medium term by further domestic retail fuel price adjustments in 2024 and 2025. In the context of broader reform of the fuel price mechanism, the government has studied options for such a reform **(SB17, December 2022).**

26. The government recognizes that eliminating the fuel subsidy calls for enhanced social protection to mitigate the impact of the reform. The government has therefore increased the prices of gasoline by 15.9 percent and diesel by 25.2 percent, while keeping the prices of kerosene for households and LPG unchanged. The authorities also announced a mitigation package, including increasing the minimum wage (guaranteed interprofessional minimum wage or *SMIG*) by 15.5 percent and public wages by 5.2 percent. In addition, expanding social support through direct social transfers would provide additional protection to disadvantaged households (*filets sociaux*). The government has already included an increase in spending on conditional cash transfers (*filets sociaux*) by 50 percent in the LF23. However, this is below the doubling stipulated in the structural benchmark **(SB15, December 2022)**. The authorities have committed to an additional increase in these expenditures to be reflected in the revised budget law to achieve the envisaged objective.

Mobilizing Domestic Non-Oil Revenues

27. Creating fiscal space will require a significant mobilization of domestic revenues. Revenue collection in Cameroon at around 12 percent of GDP is below its potential. A significant improvement in tax revenues will require implementing reforms in both tax policy and tax administration. Broadening the tax base remains a challenge given the considerable weight of tax expenditures, the large informal sector, and the low yield of personal income tax.

28. The government has undertaken a diagnostic study of its tax policy with IMF support (SB1, October 2022). The study provides recommendations, notably on the following policy levers: (i) reforms to the tax on wages and salaries, including replacing the treatment of in-kind benefits for tax purposes (currently, their values are fixed presumptively as a share of income) with the actual monetary values of the benefits; (ii) gradually phasing out VAT withholding at source and reducing the number of VAT exemptions; (iii) replacing corporate income tax holidays with an investment allowance and lowering the rate of the minimum tax (which is applied to turnover); (iv) closing the gap between excise tax rates applied to imports and local production, increasing the tobacco tax rate, decreasing the number of goods subject to excise taxes, and reducing the export tax rate on gold; (v) evaluating the new tax on e-money transfers after one year, based on a quantitative assessment of its economic effects; and (vi) reconsidering the plan to reinstall an annual personal income tax declaration.

29. The diagnostic study provides the basis for important revisions to tax policy. The LF23 includes some of the recommendations from the tax policy diagnostic study. In particular, the authorities will take concrete measures to improve VAT collection, notably by increasing the number of taxpayers subject to VAT **(new SB18, ¶33, October 2023)**. In addition, the government will formulate an action plan with recommendations to rationalize investment incentives to promote healthy competition between economic operators **(new SB19, October 2023)**. In the LF23, the government has proceeded to increase the excise and customs tax rates on certain products.

30. The Directorate of Taxes (DGI) is continuing efforts to improve revenue collection, combat tax evasion and fraud, and ensure the integrity of taxpayer records. The DGI has drawn up a three-year plan (2023-25) to modernize and align the tax system with international standards with specific measures and objectives to be achieved by the end of 2025. This plan is based on recommendations of recent TA missions as well as on internal studies. Key revenue administration measures include: the simplification and digitalization of tax procedures with the implementation of a new information system HARMONY 2; the continued implementation of reform of the integrated tax partnership in terms of broadening the tax base; and improving tracking of personal income tax by implementing the universal income declaration before June 30 of each year. On tax policy, a major focus of the modernization plan is the control of tax expenditures.

31. The General Directorate of Customs (DGD) will consolidate its reforms to optimize receipts. This will, in particular, involve: (i) enforcing the suspension of payment facilities to users who are debtors of the State and the prohibition of exemptions in line with regulations; (ii) further digitizing procedures by extending electronic payments of customs duties and taxes throughout the country; and further automating customs clearance controls for vehicle via the COSMOS application and its extension to all containerized goods; (iii) configuring the tax bases in the information systems of the Customs Administration and their harmonization in all the Customs Sectors; (iv) improving a posteriori controls after customs clearance through indicators based on risk analysis; (v) strengthening collaboration with the Société Générale de Surveillance (SGS) in the evaluation of used vehicles at all borders by the requirement of the Identification Control of Used Imported Vehicles (CIVIC); (vi) improving the handling of goods for export with the capitalization of the opportunities offered by the implementation of the 4th scanner; and (vii) finalizing the automation of the Public Auctions procedure.

32. The DGD will also pursue the implementation of the new measures with a high tax impact contained in the LF23, the broadening of the tax base and the exploitation of certain

tax loopholes. This will involve: (i) rationalizing inopportune tax expenditures; (ii) broadening the tax base by raising taxation on the import of some luxury goods or those with negative environmental or health externalities, and on raw materials exported without substantive processing, especially wood in logs, sawn wood, and cocoa beans; (iii) readjusting customs clearance and collection of customs duties and taxes on imported telephones, tablets and digital terminals, revision and codification of the taxation system for goods intended for public procurement, definition of an appropriate legal framework for the taxation of goods acquired through e-commerce; (iv) implementing a legal framework for the use of certain modern digital technological tools and devices for customs control and surveillance such as the Cameroon Customs Monitoring System (COSMOS), drones, geolocation, in order to fight against smuggling and illicit trafficking; and (v) instituting an annual obligation to communicate documentation related to 'the transfer pricing policy' to the Customs Administration, to enable it to better fight against tax optimizations by multinationals, the tightening of sanctions for fraudulent external transfers of funds without counterparty in terms of the import of goods and services in the context of foreign trade.

33. The collaboration between revenue agencies will be strengthened. Strengthening collaboration between DGI and DGD through the FUSION platform remains an important priority. This involves: (i) migrating DGI records to the Cameroon Customs Information System (CAMCIS); (ii) strengthening the monitoring of individuals carrying out foreign trade operations; (iii) 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; (iv) collaboration between DGI, DGD and DGTCFM to enforce compliance of government suppliers with their tax obligations. In this regard, the government will develop a detailed action plan aiming to reinforce the integrity and viability of the DGI's taxpayer database in the context of the new HARMONY 2 platform and to broaden the tax base. This plan will include concrete investigative measures and actions for systematic recovery and for reinforcing the FUSION platform with a view to improving data collection and sharing within the revenue administration and at the customs, budget, public companies, electricity and water suppliers, mobile phone companies, banks, etc. The number of VAT taxpayers will increase from 13,500 at the end of December 2022 to 14,850 by end-October 2023 **(new SB18, October 2023).**

34. The country's mining sector has a significant potential to contribute to economic growth and generate government revenues. The authorities see the mining sector as an important pillar of the economy and as a national priority. The mining code was adopted in 2016, and the legislative framework for the implementation of the law has been finalized. In 2020, the government created a state mining company, SONAMINES, to promote mining sector development. To reflect the creation of the state company, the 2016 Mining Code needs to be revised. The authorities commit to publish all the decrees regulating the application of the Code by **March 2023 (SB7).** In addition, the authorities plan to adopt a decree implementing the Petroleum Code at end-March 2023 which will promote oil operations.

D. Public Financial Management Reform

35. The government is continuing reforms to improve the quality of public expenditure and cash flow management. It will tackle weaknesses that undermine the credibility and transparency of the budget execution. The government will put emphasis on addressing the persistent underestimation of spending needs and commitments, and the excessive use of exceptional procedures. To this end, the government will enhance the monitoring and transparency of budget execution, notably by preparing credible monthly cash flow plans consistent with both the commitment and public procurement plans and limiting the use of exceptional procedures.

36. The government has inventoried all the accounts to be transferred to the Treasury Single Account (TSA), but they have yet to be transferred (SB3, December 2022). The government is firmly committed to initiate the gradual transfer of these funds to the TSA once the IT platform at the BEAC is completed. While the authorities have implemented all steps within their control to complete this structural benchmark, the regional BEAC platform is not yet operational, which has prevented repatriation of the balances of the identified TSA accounts to the new platform.

37. The government is also undertaking efforts to better manage current expenditure. The government is drawing from its recent diagnosis of the civil service pension system to conduct a study of the system's sustainability with a view to reducing quasi-fiscal risks **(SB16, October 2022)**. The government will draw on the recommendations of the study to strengthen the pension system. In addition, to better manage the SNH's direct interventions, the authorities have set up a reconciliation committee (including SNH and Ministry of Finance) **(SB13, December 2022)** which will submit to the IMF a table of SNH interventions by type of expenditure on a quarterly basis. The reports should be transmitted to the IMF staff 45 days after the end of each quarter in line with Table 1 of the TMU and starting at end-March 2023. The government is committed to reporting transparently on SNH's direct interventions. With regards to expenditures undertaken through exceptional procedures, the authorities envisage measures to better monitor and reduce these expenditures, including improving data processing, the use of a streamlined processes for urgent expenditures, and the quarterly regularization of these expenditures.

38. To enhance the effectiveness and efficiency of capital spending, the government envisages to continue reforms aimed to improve the selection, planning, and execution of investment projects. These include: (i) implementing the October 2021 decree establishing procedures for monitoring the performance of project management units **(SB20, April 2023)**; (ii) creating a maturation and compensation fund for public investment projects to ensure that projects are completed on schedule as planned; (iii) establishing a mechanism to evaluate and incorporate recurrent maintenance costs of state assets; (iv) implementing the regulations of the public procurement, particularly those relating to the establishment of internal structures for the administrative management of procurement. This structural measure will help improve project and debt management.

E. Maintaining Cautious Debt Management

39. The government reaffirms the central role of the National Committee on Public Debt (CNDP). The government requires that all public debt proposals and requests for guarantees, endorsements and sureties be submitted to the CNDP for approval. The formulation of the medium-term debt strategy is focused on elaborating consistent annual borrowing plans.

40. The government is determined to improve public debt sustainability. As the risk of debt distress remains high, the debt policy focuses on slowing the pace of new external borrowing, 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.

41. The government is continuing its policy to contain the stock of signed but undisbursed loans (SEND) and to limit the accumulation of new SEND. To do this and to contain the stock of SEND between January and December 2023, the government, in consultation with its technical and financial partners, will reduce the stock of non-performing SEND by cancelling projects already closed or by reallocating the financing to new priority investment needs. The present value ceiling will be integrated into the debt strategy. However, to attain the growth objectives of the SND30, the government plans to use an adjuster for the 2023 ceiling on concessional debt commitments to accommodate available concessional World Bank loan offers of around CFAF 700 billion—excluding contracted projects in Q4 2022—that will be absorbed through the medium term to achieve the targeted objectives. Thus, the government will ensure that these new borrowings do not alter the risk of over-indebtedness, which is already high. The government will also ensure that this funding is absorbed by priority projects adopted in accordance with the decree on project maturation. The financing contracted should be disbursed on schedule, in line with the program budget deficit objectives, to contain the level of SEND that is already a concern.

42. The government remains committed to clearing domestic arrears and to settling outstanding debts within the public sector. After clearing arrears outstanding at end-2019, the government has finalized the audits of government payment arrears due over the period 2000-2019 and will shortly adopt a clearance plan while assuring the viability of the public debt **(SB2, September 2023)**. Work is also moving ahead on settling public sector debts. The government has finalized the inventory of debts at end-2021 between the State and 14 public enterprises and is preparing a plan for their clearance. Work is also underway on an inventory and clearance plan of debts between public enterprises, with a focus on the 14 largest public enterprises given the difficulties collecting data from SOEs **(SB6)**.

43. The government has nominated the management for the deposit and consignment fund (*Caisse des dépôts et consignations*) (SB8, December 2022). The government is committed to reviewing the legal framework for the fund to bring it in line with international best practices. The fund must adhere to the principles of good governance and transparency.

F. Public Enterprise Reform and Management of Contingent Liabilities

44. The government is committed to strengthening public enterprise management to improve service delivery and limit fiscal risks. The first step is to assess and improve their financial situation, contain cross debts, and assess risks. To do this it is necessary to: (i) validate and implement the recommendations from the diagnostic studies of the three public enterprises, PAD, CAMTEL, and CAMWATER, and then assess other public enterprises in weak financial positions; (ii) assess, and if necessary, revise, administered prices for public enterprise products June 2023 at the latest; (iii) require utility companies to issue billing invoices to public administrations on a timely basis; (iv) require public administrations to make quarterly utility service payments, and that utility companies meet their obligations on taxes and loans guaranteed or retroceded by the State; and (v) regularly update the public enterprise risk dashboard maintained by the CTR to map the risks of the State's portfolio and implementing AFRITAC's tool for assessing financial risks .

45. The government will also strengthen public enterprise governance. This includes: (i) ensuring that their executive boards include qualified directors; (ii) strengthening internal controls, requiring the publication of audited annual financial statements, and the submission of business plans in accordance with the law n°2017/11 of July 12, 2017; (iii) put in place a cross-functional structure responsible for steering governance issues and State shareholder policy. To this end, a study on the State's shareholder policy must be carried out beforehand; (iv) revising the classification of public enterprises and establishments, that provides the basis for remunerating managers, by the end of the current three-year evaluation cycle; (v) rationalizing the State's portfolio by reducing the number of public enterprises through mergers or PPPs. To this end, the government has prepared the legal and regulatory framework governing PPPs, but this structural benchmark has not been met **(SB5)**. The draft texts are currently being examined by the coordination services, which will judge the advisability of adopting the new framework, given the imminence of a global reform of public procurement at the regional level, which will require eventually, an adaptation of the legal framework of each CEMAC member state.

46. The government is also implementing measures to improve public enterprise performance. This includes: (i) implementing the requirement, instituted in July 2022, for performance contracts specifying public service obligations, unit costs (as a basis for paying subsidies), indicators of output and service to be provided, and which will be published with related evaluations; (ii) gradually reducing subsidies to under-performing public enterprises; and (iii) listing large industrial public enterprises on the regional stock market (BVMAC), for which PAD, CHC, ADC, SODECOTON have already been identified.

47. The government will continue steps to place SONARA on a sound financial footing. This involves: (i) rapidly completing negotiations on restructuring traders' claims 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 60 days; (iii) requiring SONARA to make regular payments of taxes and customs duties owed to the Treasury; (iv) ensuring that traders are authorized to import a volume of petroleum products consistent with their financial commitments. The government is determined to pursue SONARA's industrial, financial, and operational restructuring in line with the recommendations of the Inter-Ministerial Committee. In September 2022, the government approved a framework for restructuring SONARA and terms of reference for technical studies and a business plan, which will be finalized and submitted to IMF staff **(SB14, June 2023)**.

G. Regional Monetary Policy and Financial Sector Stability

48. The government supports the regional efforts to preserve the stability of the monetary arrangement, which requires rebuilding the BEAC's reserves. It is committed to enforcing all aspects of the foreign exchange regulations under its jurisdiction. Specifically: (i) The government will require public enterprises to comply with the 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 regulatory provisions before being 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.

49. The government will continue reforms to strengthen the stability of the financial sector and reduce nonperforming loans. To this end the government will sign an authorizing agreement with the COBAC by March 2023 to implement the restructuring of the two distressed banks and will not use its fiscal resources to bail-out historical shareholders. These two banks will open their capital to the private sector within 3 years as provided in their performance contracts. The government will also complete the privatization of the Commercial Bank of Cameroon (CBC). Lastly, the government will (i) 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; (ii) encourage banks and financial institutions to systematically submit data to the national personal property security directory (RNSM); (iii) continue strengthen the operation of the State Asset Management Company (SRC), while ensuring the SRC a robust governance framework, operational and budgetary independence, and strong transparency and accountability rules, and with a sunset clause for its banking asset recovery activities.

50. The government will diversify the investor base for its securities to strengthen its financing capacity while developing a culture of savings and social protection. In 2023, the government will prepare a strategy to encourage the participation of non-bank investors (insurance, pension funds, individuals, etc.), particularly in long maturity issues in line with the medium-term debt strategy and assuring the sustainability of public debt. 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.

H. Competitiveness and Private Sector Development

51. The government is determined to remove structural impediments to private sector

development and economic diversification. To this end, the regular consultation with the private sector will be strengthened. Together with the private sector, the government will initiate the reform of business incentives—especially the law on private investment incentives—to encourage a competitive business environment **(new SB19, October 2023)**.

52. Trade facilitation plays a key role in strengthening competitiveness. The authorities will support regional initiatives promoting mutual administrative assistance and the interconnection of customs information systems, the limitation of intermediate checks on the transport of goods in transit to conventional checkpoints and the continued simplification of procedures and administrative formalities for cross-border exchanges. More specifically, it will: i) continue efforts to reduce port transit costs and delays for goods imported, exported or in transit; ii) complete the digitalization of procedures on port platforms and strengthen their interconnection; iii) accelerate the full implementation of the Agreement on Facilitation of Procedures (TFA); to which end, the authorities will ensure the proper functioning of the National Trade Facilitation Committee (CONAFE); and iv) implement the concept of AEO (Authorized Economic Operator). In addition, to improve regional economic integration, the authorities will ensure the implementation of the National Strategy for the implementation of the African Continental Free Trade Area to capitalize on its opportunities.

I. Environment and Climate Change

53. SND-30 pays particular attention to protecting the environment and strengthening resilience to climate change. Cameroon signed the Glasgow Declaration on Forests and Land Use at the 2021 CoP26 and has undertaken to restore approximately 12 million hectares of degraded lands under the AFR 100 Initiative. Cameroon may gain from the 2022 CoP27 agreement on the 'loss and damage fund'. Based on the World Bank's Climate and Development report on Cameroon's climate vulnerabilities, the government will implement measures to improve Cameroon's climate resilience within four priority areas: agriculture, forestry, and land use; cities; infrastructure; and human capital.

J. Promoting Good Governance

54. The government is committed to strengthening governance, transparency, the rule of law and the fight against corruption. The government will conduct, in consultation with IMF staff, and publish a diagnosis of governance vulnerabilities and the fight against corruption **(SB10, September 2023, rephased from June 2023)**. The suggested new completion date will allow sufficient time to undertake all the relevant processes involved in the diagnostic assignment. This 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).

55. The government is supportive of institutions with governance oversight. (i) The National Anti-Corruption Commission (NACC/CONAC) published its 2021 report. (ii) The Chambre des Comptes has completed the report on 2021 expenditures related to COVID-19 and is finalizing the audit of these expenditures, which has been delayed to allow time for beneficiary administrations to react to the audit comments **(SB12, March 2023)**. In consultation with IMF staff, the government will prepare and publish an action plan to strengthen the frameworks for the preparation, publication, and follow-up of public spending audits, with recommendations for strengthening the relevant institutions, especially the Supreme Court's Audit Bench **(SB11)**. (iii) The government published the 2020 EITI report in December 2022 and is working on implementing 15 corrective measures in preparation for the new validation session scheduled for October 2023, to be followed by the publication of the EITI report for 2021 scheduled for June 2023. (iv) The government will implement measures to strengthen the national AML/CFT framework in line with the March 2022 report by the Task Force on Money Laundering in Central Africa (GABAC). (v) The National Agency for Financial Investigation (ANIF) published its report for 2021 in November 2022.

PROGRAM MODALITIES

56. 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 through 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 fourth review based on end-December 2022 targets is expected to be completed on or after June 15, 2023; the fifth review based on end-June 2023 targets is expected to be completed on or after December 15, 2023; and the sixth review based on end-December 2023 targets is expected to be completed on or after June 3, 2024.

57. The government requests that the IMF Executive Board grant waivers of non-observance for the performance criteria on non-oil primary fiscal balance at end-December 2022 and the continuous non-accumulation of external payment arrears, waivers of applicability for the remaining performance criteria for end-December 2022 and modification of targets for end-March and end-June 2023. The waivers of nonobservance for the performance criteria on the non-oil primary deficit at end-December 2022 is requested based on corrective actions that were taken. The waiver for the continuous non-accumulation of external arrears is requested due to the minor (0.08 percent of GDP) and temporary nature of the non-observance, and these arrears have been cleared. The waiver of applicability will be needed because the data on the remaining end-December 2022 quantitative performance criteria will not be available for assessment of the performance targets before the Executive Board meeting scheduled for March 2023, and there is no clear evidence that such performance criteria will not be met. The government is also requesting the approval of modification to the program targets for end-March and end-June 2023 in line with the updated macroeconomic projections and policies.

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

(In billions of CFAF, unless otherwise indicated)

	End-Jun 22			End-Sept 22			End-Dec 22			End-Mar 23		End-Jun 23		End-Sept 23	End-Dec 23
	QPC	Actual	Performance	IT	Actual	Performance	QPC	Prelim.	Performance	IT (2nd Rev.)	IT (new)	QPC (2nd Rev.)	QPC (new)	IT (new)	QPC (new)
A. Quantitative Performance Criteria 1/															
Floor on the non-oil primary fiscal balance (payment order basis)	-432	-170	Met	-499	-486	Met	-1,083	-1,213	Not Met	-164	10	-316	-331	-474	-727
Ceiling on the net domestic financing of the central government (excluding IMF financing) 2/	150	-257	Met	210	-89	Met	46			-52	-18	-121	132	147	80
Ceiling on net borrowing of the central government from the central bank (excluding IMF financing) 2/	170	-219	Met	170	-69	Met	170			-15	80	-31	139	127	111
Ceiling on the disbursement of non-concessional external debt	324	248	Met	485	311	Met	647			203	173	406	346	518	691
B. Continuous Quantitative Performance Criteria															
(starting from the program approval)															
Ceiling on the accumulation of new external payments arrears 3/	0	0	Met	0	0	Met	0		Not met	0	0	0	0	0	0
PV of contracting and guaranteeing of new external borrowing 4/	512.9	248	Met	512.9	318.6	Met	512.9			....	...	512.9	512.9	...	512.9
C. Indicative Targets															
Floor on non-oil revenue	1,558	1,576	Met	2,361	2,362	Met	3,275			908	910	1,837	1,729	2,591	3,681
Ceiling on the net accumulation of domestic payment arrears	-29	63	Not Met	-53	61	Not Met	-85			-15	-41	-34	-81	-122	-162.5
Floor for poverty-reducing social spending	382	455	Met	716	926	Met	1,062			287	306	337	624	993	1325
Ceiling on direct interventions of SNH	80	92	Not Met	110	133	Not Met	145			40	40	80	80	110	145
Share of spending executed through exceptional procedures on authorized (payment order) spending 5/	5	9.2	Not Met	4	12.6	Not Met	4			4	4	4	4	4	4
Memorandum items 6/:															
1. Cumulative external budget support, excluding IMF (earliest disbursement)	*45*	*46*		*46*	*46*		*149*	*157*		*29*	*23*	*29*	*23*	*68*	*129*
2. Balance of the special account for the unused statutory advances	*50*	*50*		*50*	*50*		*50*	*50*		*50*	*50*	*50*	*50*	*50*	*50*

Sources: Country authorities and IMF staff calculations.
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-June and end-December 2022, end-June 2023, and end-December 2023; 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. The ceiling on borrowing from the Central Bank includes the use of 2021 SDR allocation of 80 billion CFAF.
3/ The zero ceiling applies until the end of the arrangement.
4/ Cumulative ceiling calculated from January 1, 2022, and reset annually, 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.
5/ 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.
6/ Updated based on the recent staff estimates.

Table 2. Cameroon: Prior Action and Structural Benchmarks

	Prior Action					Comments
	Increase domestic retail fuel prices with the magnitude of the increase consistent with achieving a zero net budget cost of the fuel subsidy based on international oil price assumptions at the time of the adjustment together with mitigation measures increasing the minimum wage and public wages.				**Met**	These mitigation measures will complement the authorities' commitment to scale up by 100 percent the existing mechanism for conditional cash transfers (*filets sociaux*) in 2023 (SB15)
	Structural Benchmark	**Due Date (Second Review)**	**Rephased Due Date[1] (Third Review)**	**Indicator**	**Status**	**Comments**
	Revenue Mobilization					
1	Prepare a diagnosis of the tax policy and formulate recommendations for establishing a development-oriented tax system that also broadens the tax base.	Oct-22		Diagnostic sent to IMF staff.	Not met-implemented with delay	IMF TA was completed in October 2022, and the report submitted to staff with some delay. A follow-up SB is included below (SB18).
	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	Sep-23	Communication of the audit report and the clearance plan to IMF staff	Not met	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.	Dec-22	Will not be rephased	Transmission of the list of non-BEAC accounts and closed accounts and transferred to the BEAC to IMF staff.	Not met	The authorities have met the conditions that are within their control, but the regional BEAC platform needed for them to repatriate the balances is not yet available.
	Public Enterprises					
4	Finalize the diagnostic studies of a few large public companies (CAMTEL, PAD, CAMWATER)	Dec-22		Diagnostic studies sent to IMF staff	Met	Staff has received the three reports.

Table 2. Cameroon: Prior Action and Structural Benchmarks (continued)

	Public Investment Management (PIM)					
5	Adopt a legal and regulatory framework governing Public-Private Partnerships (PPP) so that all Public-Private Partnership projects follow a single framework.	Dec-22	June-23	Legal and regulatory framework published	Not met	The authorities have already prepared a preliminary draft, which once adopted will be aligned with the future regional framework.
6	Establish an inventory of the respective debts between the public enterprises and the State and between the public enterprises themselves at the end of 2020 and adopt a plan for the clearance of the respective debts between the State and the public enterprises.	Dec-22	Sept-23	Inventory and plan shared with IMF staff	Not met	The inventory and plan to clear debts between SOEs and the government was finalized in January 2023, but the inventory of debts between SOEs is delayed, mainly due to data constraints on SOE cross debts.
	Extractive Sector					
7	Finalize and publish all the texts of application of the mining code of 2016 (Law n ° 2016/017 of December 14, 2016).	Mar-23	Mar-23	Implementation texts published		The implementation texts of the 2016 Mining Code were finalized but the Code needs to be revised to reflect the creation of SONAMINE in December 2020.
	Business Climate					
8	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.	Dec-22		Decree designating the officers of the deposit and consignment fund	Not met-implemented with delay	The decree was published in January 2023.
9	Revise Law No. 2013/004 of April 18, 2013, to rationalize incentives and promote healthy competition between economic operators.	Dec-22	Dec-23	A revised law is published	Not met	This SB has been rephased with a new SB19 as an intermediate step towards revision of the law following the recently completed IMF TA mission.
	Good Governance and Anti-Corruption					
10	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).	June-23	Sept-23	Publication of the report		The deadline was shifted to September 2023 to give the IMF team and the country enough time to undertake all relevant diagnostic assessment processes.

Table 2. Cameroon: Prior Action and Structural Benchmarks (continued)

11	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	Apr-23	Submission of action plan to the IMF staff	Not met	The authorities have made good progress on the SB and prepared an initial action plan, but more time is needed for staff and the authorities to discuss, especially in light of the TA mission in March 2023.
12	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	Mar-23	Publication of the report	Not met	The audit is in progress but will not be completed within the planned timeframe.
13	SNH 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.	Met	The authorities have set up a reconciliation committee and will submit to staff a quarterly report on SNH interventions by type of expenditure starting from the first quarter of 2023.
14	SONARA Restructuring Plan: Elaborate a restructuring plan for SONARA, including industrial and financial options under consideration.	Mar-23	June-23	Elaborate and submit to IMF staff the new restructuring plan for SONARA.		Restructuring plan being discussed.
15	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.	Not met-implemented with delay	The authorities have committed to doubling conditional cash transfers in the revised 2023 budget.
16	Civil Service Pension System: Conduct a study of the sustainability of the civil service pension system (government officials) with a view to reducing quasi-fiscal risks.	Oct-22		Submit TOR to IMF staff	Not met-implemented with delay	TOR submitted in November 2022.
17	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	Not met-implemented with delay	Staff received a study of the fuel price mechanism prepared with the World Bank.

Table 2. Cameroon: Prior Action and Structural Benchmarks (concluded)						
	New Structural Benchmarks					**Rationale**
18	**Revenue administration.** Increase the number of VAT taxpayers from 13,500 at the end of end-December 2022 to 14,850 by end-October 2023.		Oct-23	List of the new taxpayers by operational department sent to IMF staff.		This SB follows up on one of the recommendations of the recently completed tax diagnostic.
19	**Business Climate.** Formulate an action plan with recommendations to eliminate CIT holidays (including the minimum tax) to promote healthy competition between economic operators, excluding companies operating in the agriculture, livestock, and fishery sectors.		Oct-23	Action plan submitted to IMF staff		This SB has been added as an interim step to SB9. The recently completed IMF tax policy diagnostic suggests adopting a targeted approach focusing on eliminating income tax allowances and replacing them with better focused investment allowances.
20	**Project and Debt Management:** Implement the decree of October 2021 governing project management units		Apr-23	Issuance of order specifying the procedures for monitoring the performance of project management units		This SB was introduced to improve project and debt management.
	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-June 2022 until end-December 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 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. **Direct interventions 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), (v) gas subsidy, 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.

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[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 (CAA)* 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 56.2 billion at end-2022.

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.

23. 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

24. 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, with the exception of end-December data. Cameroon's Law No 2018/012 on the public finance, provides for a complementary period of 30 days after the end of the calendar year to complete all pending payments from the budget year. Therefore, the end-year data on government financial operations will be submitted by March 15 of the following year.

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

Performance Criteria

25. 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

26. 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.

- 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 Central Bank on government includes the agreed use of the 2021 SDR allocation.

32. 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. 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 20 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 paragraph 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	617.546	1.00
Euro	655.957	0.9414
AfDB XUA	821.855	0.7514
STG Pound	745.254	0.8286
Japanese Yen	4.655	132.650
Chinese Yuan	88.398	6.986

Source: IMF Representative Exchange Rates, December 23, 2022; African Development Bank January 2023 Exchange Rates; 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).

41. If the PV of the amount of the World Bank loans signed in 2023 is greater than the PV of the World Bank loans signed in 2022 (CFAF 179.4 billion), the ceiling will be adjusted upward pro-tanto, and the amount of upward adjustment to the ceiling will be capped at a maximum of CFAF 182.5 billion (PV) in 2023, according to the identified projects.

Cutoff Dates for Reporting Information

42. 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

43. 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

44. 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

45. 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

46. 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 with the exception of end-December data as indicated in paragraph 24.

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

47. 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

48. 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

49. 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. Summary of Data Reporting Requirements

Information	Responsible institution	Frequency of data	Reporting lag
Government Finance			
The summary situation of Treasury Operations (La situation résumée des Operations du Trésor (SROT)), including statement of unpaid orders of more than 90 days or less, as well as statement of the correspondent accounts.	Ministry of Finance (MINFI)/DGTC	Monthly	6 weeks

Table 1. Summary of Data Reporting Requirements (continued)			
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, except for end-December for which data will be reported by March 15 of the following year
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
Domestic debt reimbursement status.	MINFI/CAA	Monthly	6 weeks
Statistics on external debt contracted and guaranteed (detailed listing of external debt service matured/paid, list of new loans specifying the financial conditions, loans guaranteed and external arrears, and list of contracts in the process of negotiation).	MINFI/CAA	Monthly	4 weeks The signing or guaranteeing of external debt, and the occurrence of external payment arrears must be reported immediately to the IMF.
Monthly structured bank and non-bank debt service forecast and actual payments	MINFI/CAA	Monthly	6 weeks

Table 1. 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
Provide revenue forecasts for the Directorate General of Taxes; Directorate General of Customs; and Directorate General of Budget by type of tax on an annual basis and on a monthly basis, and outturn as compared with forecasts.	DGI, DGD, DGB	Monthly	6 weeks

Table 1. Summary of Data Reporting Requirements (continued)			
VAT refund balance (refund requests, payments made, and VAT refund account status).	MINFI/DGI	Monthly	6 weeks
DGI/DGD joint quarterly collaboration reports indicating, in particular, the results in terms of identification of fraud and collection of additional revenue.	DGI/DGD	Quarterly	6 weeks
The situation of the SNH, including the volumes exported, the prices, the exchange rates, the costs of operations, the direct interventions, the commitments towards the State, the balance transferable to the Treasury.	MINFI	Quarterly	6 weeks
Include the total amount of oil revenue from the national oil company SNH and direct interventions in the monthly table of government financial operations (TOFE)	MINFI	Monthly	6 weeks
Accounting and budgetary extract indicating the status of payment of State invoices to public service companies (ENEO, CAMWATER, CAMTEL, SONARA CAMPOST, SIC)	MINFI	Quarterly	6 weeks
Publish quarterly budget execution report	MINFI	Quarterly	8 weeks
Monetary Sector			
Consolidated balance sheets of monetary institutions	BEAC	Monthly	6 weeks
Provisional data on the integrated monetary survey	BEAC	Monthly	6 weeks
Final data on the integrated monetary survey	BEAC	Monthly	10 weeks
Net government position.	BEAC	Monthly	6 weeks
The situation of the balance of the special account of undisbursed statutory advances	BEAC	Monthly	6 weeks
The key rate and the credit and debit interest rates	BEAC	Monthly	6 weeks

Table 1. Summary of Data Reporting Requirements (concluded)			
Balance of Payments			
Preliminary annual balance of payments data.	MINFI	Annual	9 months
Foreign trade statistics.	MINFI/INS	Monthly	6 weeks
Any revision of the balance of payments data (including services, private transfers, official transfers, and capital transactions).	BEAC/MINFI	On revision	2 weeks
Real Sector			
Provisional national accounts and any revision of the national accounts.	INS	Annual	6 months
Quarterly National Accounts.	INS	Quarterly	3 months
Disaggregated consumer price indices for the cities of Douala and Yaoundé	INS	Monthly	4 weeks
Consumer price indices disaggregated by city, product and at the national level.	INS	Monthly	6 weeks
Structural Reforms and Other Data			
Any official report or study devoted to Cameroon’s economy, from its date of publication or finalization.	MINEPAT		2 weeks
Any decision, decree, law, order, or circular having economic or financial implications, from its publication date or effective date.	MINFI/MINEPAT		2 weeks
Report on the implementation of expenditure of the special allocations account (CAS) COVID-19	MINFI/DGB	Bi-annually	3 months
CAS-COVID-19 expenditure audit report	MINFI/DGB	Annually	6 months
Data on SNH interventions	MINFI/DGB	Quarterly	6 weeks

CAMEROON

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

February 27, 2023

Approved By
Vitaliy Kramarenko, Geremia Palomba (IMF) and Manuela Francisco, Abebe Adugna Dadi (IDA)

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 remains at high risk of debt distress while its overall debt sustainability indicators have deteriorated somewhat compared to the previous DSA, mainly due to external shocks including a weaker exchange rate, as well as due to domestic factors such as lower real growth projections. The debt carrying capacity is weaker as suggested by the latest score of the Composite Index (CI), and the bond spread is above the benchmark value. On the other hand, while Cameroon's external debt stock indicators continue to lie below the threshold, its external debt service indicators remain above the threshold but have improved supported by the authorities' active debt management. Both external debt service indicators are on a downward trend. Taking all these factors into consideration, staff maintains the assessment that Cameroon's debt is sustainable given the authorities' commitment to program objectives, including fiscal consolidation efforts, and active debt management. The likelihood that Cameroon will not be able to meet its current and future financial obligations is low.

Key downside risks to this assessment include the ongoing war in Ukraine which could set back the global recovery and prolong supply disruptions, casting additional pressure on the Cameroonian economy. Tightening global financial conditions could increase borrowing costs. A downward adjustment of global energy prices could lead to deterioration of both exports and fiscal revenue. On the domestic front, rising food and fuel prices while reducing subsidies could intensify socio-economic tensions, and delayed restructuring of SONARA's debt would jeopardize the debt sustainability. Regional security conflicts—if not well contained—could also compound the fiscal challenges.

To mitigate risks, Cameroon should firmly push forward its agenda to ensure its debt sustainability, while aligning macroeconomic policies with other economic and social objectives. First, keeping public debt dynamics on a sustainable path requires a gradual fiscal consolidation. Setting and achieving a further reduction in the non-oil fiscal deficit in the short term is needed to ensure debt sustainability. This should be coupled with continued structural fiscal reforms, including further reducing the fuel subsidies and enhancing revenue mobilization. Second, the authorities should closely monitor their debt service and actively manage their debt portfolio to minimize interest rate risks, amidst rising global financing costs. Third, vulnerable export-related debt indicators point to the need for improving competitiveness and achieving economic diversification. Reform momentum to improve the domestic business and investment environment should be further accelerated, inviting more FDI and boosting exports. Lastly, management of SOEs should be strengthened to reduce risks related to contingent liabilities.

PUBLIC DEBT COVERAGE

1. **Debt coverage has remained unchanged since the previous DSA (Text Table 1).** Public debt coverage, as agreed with the authorities in the Technical Memorandum of Understanding (TMU), includes debt of the central government, expenditure floats and arrears, guarantees, debt of a public oil company SONARA, which accounts for the majority of SOE debts[1], and external arrears of other state-owned enterprises (SOEs).[2] The DSA does not cover the debt of local governments, which are not allowed to borrow from financial markets, and such debt is mostly owed to domestic suppliers, including SOEs, and is yet to be further verified.[3] Other elements of the general government such as social security funds or extra budgetary funds are not covered.[4] External debt is mainly defined based on currency denomination but is adjusted for residency where data are available.[5]

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

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

2. **While domestic debt of SOEs other than SONARA are not included in the DSA's debt perimeter, there has been progress in understanding overall SOE debt.** In recent years the authorities have been improving the comprehensiveness of debt reporting by expanding the scope of SOE debt data, supported by the World Bank's Sustainable Development Finance Policy (SDFP) Performance and Policy Actions (PPA). Latest reports indicate that the debt of SOEs, excluding SONARA, amounts to CFAF 215 billion, around 0.9 percent of GDP (Text Table 3). As part of structural benchmarks under the IMF program, diagnostic studies of large SOEs, including CAMTEL, PAD, and CAMWATER, and an inventory of the cross-debts among SOEs and the state have been ongoing. CAMTEL's and CAMWATER's diagnostics are currently subject to review by their management and are expected to be published by June-2023. Diagnostic studies of an inventory of the cross-debts among SOEs and the state are expected to be

[1] The total external debt of SOEs was CFAF 458.6 billion and domestic debt CFAF 407.1 billion at end-2021, of which SONARA's share accounted for 80 percent and 70 percent, respectively.

[2] Official public debt arrears over 3 months stood at CFAF 163 billion at end-2021. Other SOEs' external arrears 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] Debt stock of Collectivités Territoriales Décentralisées (CTD), in the form of commercial debt, wage, and other social debts, was CFAF 5.4 billion at end-2020. As of January 2022, the authorities have not verified such claims nor prepared a settlement plan.

[4] The public pension system in Cameroon operates on a pay-as-you-go basis with defined benefit schemes. The diagnostic study of public pension suggests the imbalance of the system is mainly related to the military sub-scheme.

[5] 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.

submitted in late 2023. Staff and the authorities will clarify the fiscal risks associated with such SOEs upon verified data and gradually expand the debt perimeter.

3. The contingent liability stress test accounts for vulnerabilities associated with uncovered debt, including other SOEs' domestic debt and PPPs (Text Table 2). Building on Cameroon's successful completion of the FY22 PPAs, implementing the FY23 PPAs will continue strengthening debt management such as expanding the scope for reporting on contingent liabilities of PPPs. Meanwhile, the authorities have made progress to adopt a legal and regulatory framework governing Public-Private Partnerships (PPP). The current draft, with the adoption being delayed pending the finalization of the CEMAC-wide regional framework, is planned to be submitted to Parliament for approval in the second half of 2023 while waiting for a regional framework to be developed. In the DSA exercise, all debt of SONARA and other SOEs' external arrears have already been captured in the baseline, and the shock scenario for the remaining uncovered SOE debt is set at 2 percent of GDP. This is a default value reflecting the median SOE external liability identified by a Fund staff survey conducted in 2016. The data of capital stock of public private partnerships (PPPs) have been updated in 2022 from CFAF 1,227.9 billion in 2021 to CFAF 3,785.4 billion as of September 2022, or about 12.8 percent of GDP, corresponding to a contingent liability of 4.5 percent of GDP. Contingent liabilities from financial markets are set at the minimum value of 5 percent of GDP, representing the average cost to the government of a financial crisis in a LIC since 1980. Estimates of other elements not covered are currently not available.

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

1	**The country's coverage of public debt**	The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt			
			Default	**Used for the analysis**	**Reasons for deviations from the default settings**
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	2.0	
4	PPP	35	percent of PPP stock	4.5	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)			11.5	

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

BACKGROUND

A. Evolution of Debt

4. Public debt continued to increase in the first nine months of 2022. According to preliminary staff estimates[6], the total public and publicly guaranteed (PPG) debt is around CFAF 12,674 billion (47.5 percent of GDP) as of September 2022, compared to 46.8 percent of GDP at end-2021 (Text Table 3). The external debt stock was estimated at CFAF 8,766 billion (32.8 percent of GDP) and domestic debt at CFAF 3,908 billion (14.6 percent of GDP). The rising level of debt has been against a backdrop of exchange rate depreciation, with CFAF against US$ falling by around 18 percent from January to September 2022.

[6] The debt stock in 2021 has been revised due to updated estimate of float and arrears and the inclusion of SDR usage as domestic debt.

Text Table 3. Cameroon: Evolution of Total PPG Debt

	2017		2018		2019		2020		2021 (Prel.)		Sep-2022 (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)	**6,829**	**32.6**	**7,933**	**35.7**	**9,786**	**42.1**	**10,351**	**44.1**	**11,394**	**45.3**	**12,396**	**46.4**
Debt of the central government	6,227	29.7	7,371	33.2	8,695	37.4	9,439	40.2	10,506	41.8	11,442	42.9
External debt	4,649	22.2	5,652	25.5	6,398	27.5	6,747	28.7	7,578	30.1	8,272	31.0
Domestic debt (excl. arrears)	1,578	7.5	1,719	7.7	2,034	8.7	2,505	10.7	2,765	11.0	2,998	11.2
Unpaid government obligations (float and arrears) 2/					264	1.1	187	0.8	163	0.6	171	0.6
Publicly guaranteed debt (external)	51	0.2	46	0.2	37	0.2	29	0.1	21	0.1	17	0.1
Debt of SOEs (unguaranteed) 3/	551	2.6	517	2.3	1,053	4.5	883	3.8	866	3.4	937	3.5
SONARA 3/	108	0.5	156	0.7	745	3.2	655	2.8	651	2.6	738	2.8
of which: external	33	0.2	52	0.2	371	1.6	359	1.5	366	1.5	467	1.7
of which: domestic	75	0.4	103	0.5	374	1.6	296	1.3	286	1.1	271	1.0
Ex-SONARA 4/	443	2.1	361	1.6	308	1.3	228	1.0	215	0.9	199	0.7
of which: external	64	0.3	72	0.3	145	0.6	94	0.4	93	0.4	89	0.3
of which: domestic	379	1.8	289	1.3	164	0.7	134	0.6	122	0.5	111	0.4
Total External	4,798	22.9	5,822	26.2	6,951	29.9	7,229	30.8	8,058	32.0	8,845	33.1
Total Domestic	2,032	9.7	2,112	9.5	2,835	12.2	3,123	13.3	3,336	13.3	3,551	13.3
Total Public Debt (staff estimate)	**7,659**	**36.5**	**8,512**	**38.3**	**9,669**	**41.6**	**10,535**	**44.9**	**11,770**	**46.8**	**12,669**	**47.5**
Debt of the central government	7,066	33.7	7,860	35.4	9,037	38.9	9,800	41.7	11,089	44.1	11,904	44.6
External debt	4,649	22.2	5,652	25.5	6,398	27.5	6,747	28.7	7,578	30.1	8,272	31.0
Domestic debt (excl. arrears)	1,578	7.5	1,719	7.7	2,034	8.7	2,505	10.7	2,815	11.2	3,118	11.7
Unpaid government obligations (float and arrears) 2/	838	4.0	489	2.2	606	2.6	547	2.3	695	2.8	513	1.9
Publicly guaranteed debt (external)	51	0.2	46	0.2	37	0.2	29	0.1	21	0.1	17	0.1
Debt of SOEs (unguaranteed)	542	2.6	606	2.7	594	2.6	706	3.0	660	2.6	747	2.8
SONARA 3/	534	2.5	597	2.7	585	2.5	698	3.0	651	2.6	738	2.8
of which: external (incl. arrears)	383	1.8	446	2.0	386	1.7	370	1.6	365	1.5	467	1.7
of which: domestic	151	0.7	151	0.7	199	0.9	328	1.4	286	1.1	276	1.0
Ex-SONARA (external) 4/	9	0.0	9	0.0	9	0.0	8	0.0	9	0.0	10	0.0
Total External	5,092	24.3	6,152	27.7	6,831	29.4	7,155	30.5	7,974	31.7	8,766	32.8
Total Domestic	2,567	12.2	2,360	10.6	2,838	12.2	3,380	14.4	3,796	15.1	3,903	14.6

Sources: Cameroonian authorities and IMF staff calculations.

1/ Reflects rebasing of the national accounts from 2005 to 2016.

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 three months.

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

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

Text Table 4. Cameroon: External Debt Composition

	2017	2018	2019	2020	2021	Sep-2022 (Prel.)	2016	2017	2018	2019	2020	2021	Sep-2022 (Prel.)
	(Billions of CFAF)							(Percent share)					
Total PPG External Debt (staff estimate)	**5,092**	**6,152**	**6,831**	**7,155**	**7,974**	**8,766**	**0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Debt of the central government	**4,649**	**5,652**	**6,398**	**6,747**	**7,578**	**8,272**	**0**	**91.3**	**91.9**	**93.7**	**94.3**	**95.0**	**94.4**
Multilateral	**1,450**	**1,995**	**2,349**	**2,764**	**3,268**	**3,693**	**0**	**28.5**	**32.4**	**34.4**	**38.6**	**41.0**	**42.1**
IMF	191	268	302	546	671	828	0	3.7	4.4	4.4	7.6	8.4	9.5
World Bank (IDA, IBRD)	725	835	1,026	1,029	1,214	1,361	0	14.2	13.6	15.0	14.4	15.2	15.5
African Development Bank/Fund	342	636	693	826	906	956	0	6.7	10.3	10.1	11.5	11.4	10.9
Other Multilateral	192	256	328	364	477	548	0	3.8	4.2	4.8	5.1	6.0	6.2
Bilateral	**2,440**	**2,716**	**3,077**	**3,070**	**3,298**	**3,533**	**0**	**47.9**	**44.2**	**45.1**	**42.9**	**41.4**	**40.3**
Paris Club	737	868	957	1,020	1,089	1,057	0	14.5	14.1	14.0	14.3	13.7	12.1
Non-Paris Club	1,703	1,848	2,120	2,050	2,209	2,476	0	33.4	30.0	31.0	28.6	27.7	28.2
of which: China	1,649	1,745	1,965	1,895	2,046	2,297	0	32.4	28.4	28.8	26.5	25.7	26.2
Commercial	**760**	**941**	**972**	**913**	**1,012**	**1,047**	**0**	**14.9**	**15.3**	**14.2**	**12.8**	**12.7**	**11.9**
of which: Eurobond	450	450	450	450	542	542	0	8.8	7.3	6.6	6.3	6.8	6.2
Guaranteed external debt	**51**	**46**	**37**	**29**	**21**	**17**	**0**	**1.0**	**0.7**	**0.5**	**0.4**	**0.3**	**0.2**
Unguaranteed SOE debt (incl. arrears)	**392**	**455**	**395**	**379**	**374**	**476**	**0**	**7.7**	**7.4**	**5.8**	**5.3**	**4.7**	**5.4**
SONARA	383	446	386	370	365	467	0	7.5	7.2	5.7	5.2	4.6	5.3
Others	9	9	9	8	9	9	0	0.2	0.1	0.1	0.1	0.1	0.1

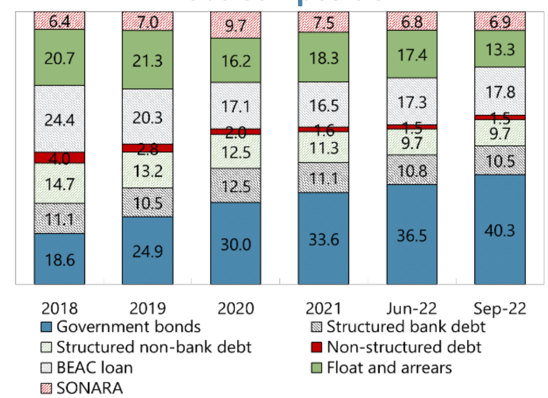
Sources: Cameroonian authorities, and IMF staff calculations.

5. **The share of multilateral debt in the composition of external debt continues to rise.** It reached 42.1 percent of the total PPG external debt as of September 2022 (Text Table 4), compared to 41.0 percent as of end-2021. Both bilateral and commercial debts have declined. The debt owed to China—accounting for 65.0 percent of total bilateral debt—rose somewhat. In terms of external commitments signed in 2022, the amount reached CFAF 812 billion, including project loans CFAF 553.2 billion, of which

two-thirds are concessional. An adjustor will apply to the debt ceiling in 2023 to accommodate the World Bank projects, including a Cameroon-Chad Transport Corridor, Douala Urban Mobility Project, Local Governance and Resilient Communities Project, and Regional project for the modernization and harmonization of statistics.

6. The composition of domestic debt has shifted towards a larger share of government bonds (Text Figure 1). Government bond issuance (including *Bons du Trésor Assimilables* (BTA) and *Obligations du Trésor Assimilables* (OTA)) continued to increase, reaching 40.3 percent of the total domestic public debt as of September 2022. This increase has been driven by new OTA issuances in February, March, and September with the 4 to 7 years maturity and an average 5.4 percent interest rate. Cameroon could also raise CFAF 235 billion in the regional securities market (BVMAC) in May with a maturity of 7 year, bearing interest rate of 6.25 percent. The issuance of longer-term debt is welcome by institutional investors, such as banks and insurance companies, for portfolio diversification.[7] Meanwhile, the share of float and arrears, based on the staff estimates, driven by a reduction of floats and other arrears, declined further from 17.4 percent of total domestic debt in end-2021 to an estimated 13.3 percent in September 2022.

Text Figure 1. Cameroon: Domestic Public Debt Composition



7. Average maturity of public debt has been improving, but gradually. As of September 2022, the average maturity of public debt reached 8.0 years compared to 7.2 percent one year ago, however, below the 11-year minimum target set by the government. In terms of breakdown, the average maturities of external debt and domestic debt were 9.1 and 5.2 years, respectively.

8. The stock of contracted-but-undisbursed debt (SENDs) remain elevated, although declined somewhat in the first three quarters of 2022. The stock of SENDs as of September 2022, excluding budget support, was estimated at CFAF 3,560 billion or around 13.3 percent of GDP, compared with CFAF 3,681 billion or 14.6 percent at end-2021 (Text Table 5), of which 58.5 percent stem from multilateral creditors and 22.2 percent from bilateral ones. The drop was mainly driven by the disbursements of a few multilateral creditors during the period. On the other hand, as there were a few more projects signed in Q4 2023, the year-end SENDs level is likely to rise somewhat. To address the issue of the high level of SENDs, the authorities plan to implement the October 2021 decree establishing procedures for monitoring the performance of project management units (SB20). Accounting for a key share of SENDs, the World Bank has also been in discussion with the authorities to find means to ensure effective disbursement for

[7] In collaboration with BEAC, the authorities will develop a strategy in 2023 to encourage the participation of non-bank investors (insurance companies, pension funds, individuals, etc.), especially in long-term issues. The authorities continue to provision in an escrow account (sinking fund) housed at BEAC the resources necessary for the payment of maturities of similar Treasury bonds (OTA) and bond issues, including Eurobonds.

approved and future projects going forward. That said, some issues related to problematic SENDs are yet to be further addressed. [8]

Text Table 5. Cameroon: Stock of SENDs

	2017		2018		2019		2020		2021 (Prel.)		Sep-22 (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/
SENDs	**4328**	**20.6**	**4043**	**18.2**	**3470**	**14.9**	**3146**	**13.4**	**3681**	**14.6**	**3560**	**13.3**
Domestic	178	0.9	171	0.8	65	0.3	0	0.0	0	0.0	0	0.0
External 2/	4149	19.8	3873	17.4	3405	14.6	3146	13.4	3681	14.6	3560	13.3
o/w multilateral	1746	8.3	1627	7.3	1671	7.2	1769	7.5	2223	8.8	2083	7.8
o/w bilateral	1710	8.2	1545	7.0	1121	4.8	824	3.5	777	3.1	790	3.0
o/w commercial	693	3.3	701	3.2	613	2.6	554	2.4	681	2.7	688	2.6

1/ Reflects rebasing of the national accounts from 2005 to 2016.
2/ Excludes budget support.
Sources: Cameroonian authorities, and IMF staff calculations.

9. **The stock of guaranteed debt has remained unchanged.** The guaranteed debt results solely from the old agreements, and additional guaranteed debt has not incurred since 2021. The outstanding stock of guaranteed debt declined to CFAF 17.5 billion in September 2022 (0.1 percent of GDP), from CFAF 21.3 billion at end-2021, following debt repayment by three public entities in Q2 2022.

10. **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, which constitute non-payments to oil suppliers.[9] While the DSA exercise takes into account part of SOEs' debt and arrears, the arrears of SOEs do not represent government insolvency and/or illiquidity as these liabilities fall on the indebted SOEs and not the government.

11. **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 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 often 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 CNDP 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

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

[9] External arrears of SONARA are estimated by calculating the short-term external debt, including external supplier debt open account and old stock (2013 and 2014).

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

12. External private sector debt decreased in 2021. Available data from the World Bank International Debt Statistics (IDS) indicate that non-guaranteed private external debt reached CFAF 620 billion (2.5 percent of GDP) at end-2021, compared to CFAF 921 billion at end-2020.

B. Macroeconomic Forecast

13. Cameroon economy continues to recover since mid-2021, supported by stronger fiscal and external positions amidst higher energy prices. Real GDP growth rebounded from record-low in 2020 to 3.6 percent in 2021 following the lifting of COVID-related restrictions, supported by strong performance in the primary and tertiary sectors. Economic recovery continued in 2022 though at a slightly slower pace of 3.4 percent due to a contraction of oil GDP. The overall fiscal deficit (payment order basis, excluding grants) is expected to decline from 3.2 percent in 2021 to 2.4 percent in 2022. The current account deficit is expected to narrow from 4.0 percent of GDP in 2021 to 1.6 percent of GDP in 2022, before returning to around 3 percent in the medium term.

14. Growth is expected to strengthen in 2023 but lower than projected in the second review, while end-year inflation is expected to remain close to 6 percent. The real GDP growth rate is projected at 4.3 percent in 2023 but could be lower owing to possible headwinds from multiple fronts. Risks, including a global recession, a prolonged war in Ukraine, elevated import prices, and continued supply chain disruptions, could weigh on the economy through both consumption and investment channels. Further tightening of global financial conditions could also lead to lower availability of concessional financing and higher rollover risks. An increase in domestic fuel pump prices starting from 1 February 2023 is expected to reduce the gap between the domestic and international prices and help contain fiscal risks associated with increased cost of fuel subsidies. Inflation is projected to reach 5.9 percent in 2023, compared to 2.8 percent in the second review. The government is rolling out mitigation measures to reduce the social impact from inflationary pressures caused by higher fuel prices.

15. Cameroon's prospects remain favorable in the medium term. The country could benefit from ongoing structural reforms to accelerate economic growth, mobilize fiscal revenues, and reduce debt vulnerabilities. Cameroon has a strong record of implementing its macroeconomic programs, maintains close engagement with donors, and its comprehensive capacity development program is well-aligned with the program objectives. The authorities are committed to adopting other contingency measures to achieve program objectives, including a revised budget. Debt sustainability risks could also be further mitigated by strengthened public debt management and reduced reliance on non-concessional borrowing. In the medium term, growth is expected to average at around 4.5 percent and CPI inflation is projected to stabilize between 2 and 3 percent. 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 4.5 percent in the medium term (2023-2027), revised downward by 0.3 percentage point from the previous DSA, reflecting the repercussions from Russia's war in Ukraine and slower progress in structural reforms. In comparison, the average growth was 4.4 percent in the pre-covid period (2011-2019). This revised projection is based on a continued—albeit more gradual—recovery from the pandemic, reflecting growing demand from trade partners driving production increases in export-oriented industries, including agriculture and forestry. Following the lifting of social restrictions during the pandemic, activities are expected to continue to increase from a low base in the service sector, including tourism, hospitality, and transport. The projection also builds on continued implementation—some with delays—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 low level of COVID vaccination has not imposed as a barrier in the recovery.

- Due to the rising food and energy prices, average annual inflation is projected to rise to 5.3 percent in 2022 and further up to 5.9 percent in 2023 factoring in the increase in retail fuel price to reduce fuel subsidies on February 1, 2023, compared to 4.6 percent in 2022 and 2.8 percent in 2023 in the previous DSA vintage. Inflationary pressures are expected to gradually subside in the following years as the base effect fades away and supply shortages ease. Overall, considering BEAC's efforts to curb inflation, the Cameroonian authorities' fiscal consolidation and the fixed exchange rate with the Euro in the monetary union, inflation is expected to decline gradually, approaching 2.0 percent in the long term, below the CEMAC convergence criterion of 3 percent and compared to the average inflation of 1.8 percent during 2010-2019.

- The fiscal balance is expected to improve more gradually than previously envisaged in the short term. In 2022, an increase of global energy prices has been the main factor behind the higher government revenues which rose by 2.2 percentage points of GDP (of which around 1.7 percentage point of GDP was driven by oil sector revenue). However, the revenue gain has been partially offset by higher fuel subsidies to the domestic market, a result of price controls. The baseline projection assumes that fuel subsidies will be eliminated over 2024-2025 in line with the authorities' intention to gradually eliminate fuel subsidies over the medium term.[1] As a result, spending on subsidies and transfers, including fuel and other subsidies, is expected to peak in 2022 at around 4.1 percent of GDP and gradually decrease in the following years. Overall fiscal deficit (excluding grants, payment order basis) is expected to average 0.9 percent of GDP (2023-2027).

- The current account balance is projected to improve in 2022, as higher oil and non-oil commodity exports outweigh the increase in imports, but is expected to widen as oil prices decline, averaging at around 2.7 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. Given a continued fiscal consolidation in the medium term, building a more conducive business environment and enhancing governance is critical to attract more private investment including FDI. On this front, reforms such as revising law No 2013/004 of April 18, 2013 (SB 9) and eliminating CIT holidays (new SB 19) could help to rationalize incentives and promote healthy competition going forward, contributing to economic diversification.

[1] To manage the transition, the mitigation measures include increasing the minimum wage by 15.5 percent and public salaries by 5.2 percent and scaling up of cash transfers to the vulnerable by 100 percent.

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

Long Term, 2028-2042

- Long-term growth has been revised downward to 4.8 percent from 5.4 percent projected in earlier-2022 considering lingering effects from the pandemic, Russia's war in Ukraine, and slower global growth. The projection is predicated on a successful—albeit delayed—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.[2] 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 that a gradual fiscal consolidation will continue beyond the program horizon.
- Exports of goods and services are projected to decline as a share of GDP in the medium term, reflecting falling domestic oil production and lower projected global energy prices. The current account is expected to continue to improve in the medium term as non-oil exports remain dynamic, and imports grow at a lower rate. In the longer term, against the backdrop of higher gas prices, SNH ongoing projects will bring up gas production starting in 2025, which will help to improve exports-related debt sustainability indicators. 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.

[2] Policy reform 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.

16. The baseline projection also reflects 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 administration, streamlining tax exemptions, and recovering tax arrears. The assumptions on the fuel subsidy include a gradual reduction of the fuel subsidy to zero in 2025 through regular increases in domestic pump prices, after the hike in 2023. 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[10], 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.

[10] The share of non-concessional loans accounts for around 20 percent of the stock of SEND.

Text Table 6. Cameroon: Key Macroeconomic Assumptions[1]

	2021	2022	2023	2024	2025	2026	2027	2023-2027	2028-2042
Real GDP growth (percent)									
Current	3.6	3.4	4.3	4.4	4.5	4.6	4.7	4.5	4.8
ECF-EFF 2nd review	3.6	3.8	4.6	4.7	5.0	4.9	4.9	4.8	4.9
ECF-EFF 1st review	3.5	4.5	4.8	5.0	5.1	5.1	5.2	5.0	5.4
ECF-EFF program request	3.6	4.6	4.9	5.3	5.4	5.6	5.6	5.3	5.8
Inflation (CPI, period average)									
Current	2.3	5.3	5.9	4.7	3.0	2.3	2.0	3.6	2.0
ECF-EFF 2nd review	2.3	4.6	2.8	2.6	2.1	2.1	2.0	2.3	2.0
ECF-EFF 1st review	2.3	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0
ECF-EFF program request	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	-3.2	-2.4	-1.1	-0.9	-0.5	-0.8	-1.2	-0.9	-1.6
ECF-EFF 2nd review	-2.6	-2.5	-0.5	-0.6	-0.6	-1.4	-1.4	-0.9	-1.0
ECF-EFF 1st review	-3.4	-2.4	-0.6	-0.8	-0.4	-0.6	-1.0	-0.7	-1.6
ECF-EFF program request	-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	13.7	15.6	15.1	15.0	15.0	15.1	15.3	15.1	16.8
ECF-EFF 2nd review	13.9	14.9	15.6	15.4	15.4	15.3	15.3	15.4	16.4
ECF-EFF 1st review	13.6	14.4	15.6	15.9	16.4	17.0	17.0	16.4	17.1
ECF-EFF program request	14.3	15.1	15.5	16.0	16.6	17.2	17.4	16.5	18.0
Total expenditure (percent of GDP)									
Current	16.9	18.0	16.2	16.0	15.5	15.9	16.4	16.0	18.4
ECF-EFF 2nd review	16.5	17.4	16.1	16.0	15.9	16.7	16.7	16.3	17.4
ECF-EFF 1st review	17.0	16.7	16.2	16.8	16.8	17.6	18.0	17.1	18.8
ECF-EFF program request	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	-4.0	-1.6	-2.8	-3.0	-2.6	-2.5	-2.5	-2.7	-2.8
ECF-EFF 2nd review	-4.0	-2.1	-2.6	-3.2	-3.3	-3.2	-2.9	-3.0	-2.4
ECF-EFF 1st review	-3.4	-2.0	-3.1	-3.2	-3.1	-3.0	-2.8	-3.1	-2.6
ECF-EFF program request	-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	16.4	20.2	18.0	17.2	17.0	16.9	16.9	17.2	16.6
ECF-EFF 2nd review	18.2	22.4	20.1	18.2	17.4	16.8	16.4	17.8	15.4
ECF-EFF 1st review	17.3	19.0	17.4	16.7	16.4	16.2	15.9	16.5	14.7
ECF-EFF program request	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	69.2	96.4	81.9	77.1	72.6	69.1	66.4	73.4	70.4
ECF-EFF 2nd review	69.1	106.8	92.6	84.2	78.5	74.7	72.5	80.5	80.6
ECF-EFF 1st review	69.8	75.7	70.2	67.3	65.2	63.8	63.1	65.9	70.2
ECF-EFF program request	58.5	54.8	52.5	51.3	50.7	50.5	50.5	51.1	50.5

Sources: Cameroonian authorities; IMF staff calculations.

1/ Reflects rebasing of the national accounts from 2005 to 2016.

17. **Financing assumptions have been updated based on the most recent data.** Cameroon's public gross financing needs over the 2022-24 period are estimated at around CFAF 4,800 billion (17.6 percent of 2022 GDP), of which around 70 percent (on average) is assumed to be financed externally.[11] The DSA reflects IMF financing of CFAF 298 billion and prospective budget support from donors amounting to CFAF 399 billion in 2022-2024. 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

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

gradually shifts towards commercial borrowing with a decreasing grant element.[12] The timing of such transition is assumed not to be associated with heightened pressure as the global financial conditions are assumed to be eased by then.[13] Financing terms for IDA reflect Cameroon's status as a blend county and were updated to account for the new IDA 20 instruments. In line with the previous DSA, domestic financing assumptions reflect a gradually increasing share of longer maturity bonds following the authorities' MTDS. In 2022, the authorities have successfully added new types of issuances, including 4-Year OTA and 7-year ECMR to further diversify treasury bonds.

18. Financing assumptions regarding SONARA take into account SONARA's performance in 2022, and the restructuring of SONARA is not assumed. The authorities will pursue measures aimed at ensuring the financial viability of SONARA. This involves: i) rapidly concluding the negotiations on the restructuring of the debt vis-à-vis the marketers under the same conditions as those concluded with the banking traders, respecting the *pari-passu* clause; ii) validating any shortfalls and/or overpayments on a monthly basis, and settling the amounts owed by the debtor party within a maximum period of 60 days; iii) requiring SONARA to pay the taxes and customs duties it owes to the Treasury on a regular basis; (iv) ensuring that marketers are authorized to import a volume of petroleum products compatible with the financial commitments. The authorities are determined to pursue the industrial, financial and functional restructuring of SONARA in accordance with the recommendations of the Inter-ministerial Committee. On debt restructuring, it reached agreement with its main supplier in September 2022 to pay down its debt (the value of debt was CFAF 183 billion in December 2022, accounting for 24 percent of the total debt and 48 percent of the external debt, in the next 10 years with an interest rate of 5.5 percent, one step forward after restructuring debt with domestic banks in October 2021.[14] Other suppliers are expected to sign similar agreements in 2023, although concreate plans and timelines are yet to be formulated. [15] On the other hand, SONARA—functioning as an importer of refined oil—witnessed a drop of sales by 18 percent with an operating loss in 2022. Against the backdrop of deteriorating operating performance, a projected zero net income instead of positive income is assumed in the DSA, while the cost of potential reconstruction of the refinery operation is not incorporated in the baseline. The assumption will be further updated upon receiving the final plan of a financial, industrial, and functional restructuring of SONARA.

[12] The recent decree announced in October 2022, including a performance-based evaluation for the project coordinator, will help accelerate the disbursement process.

[13] According to the latest global assumptions, the tightening of global financial conditions is expected to halt in later 2023 and the interest rates will start to decline in Q1 2024.

[14] In October 2021, SONARA signed an agreement with local banks to restructure its debt. The total amount owed to local banks 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 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 at end-2021) were excluded from SONARA's debt stock given their short-term revolving nature. Restructuring of SONARA's external debt is not assumed in the baseline. Short-term external debt to 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.

[15] In September 2022, the authorities approved a restructuring framework for SONARA and terms of reference for technical, economic, and financial studies, as well as a plan of action activities, which will be finalized and submitted to IMF staff (SB14, June 2023).

19. 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 the economy following the COVID-19 pandemic or stronger net exports driven by higher oil and non-oil commodity products.

20. The forecast realism tool indicates different debt dynamics compared to historical developments, suggesting potential challenges (Figure 4). The real GDP growth is projected to help reduce further the external debt ratio, while the changes of the exchange rate are expected to have a very limited impact on the external debt dynamics. The projected improvement in the public debt ratio is driven by the declining primary deficit reflecting expected fiscal consolidation and stronger real GDP growth. The unexpected increase in public debt during the past 5 years is higher compared to other LICs.[16] 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

21. Cameroon's debt carrying capacity remains weak. The Composite Indicator (CI) score based on the October 2022 WEO projections and the 2021 World Bank CPIA score is 2.568, signaling a weak debt-carrying capacity.[17] The lower CI score compared to the previous DSA mainly reflects lower reserves, remittances, and world economic growth. (Text Table 7).

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 vintage
Weak	Weak 2.568	Weak 2.67	Weak 2.70

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

[16] The nominal GDP for DSA 2017 has been rebased.

[17] The score assesses a country's debt-carrying capacity drawing on a set of country-specific and global factors (including institutional strength measured by the World Bank calculated on the CPIA score).

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

DEBT SUSTAINABILITY

A. External Debt Sustainability

23. **External risk of debt distress is assessed to be 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 for a prolonged period. On the other hand, debt service-to-revenue ratio shows a gradual downward path due to stronger revenue prospects, declining below the threshold after 2028. On the longer end, the upticks reflect a jump of debt service due to the maturing Eurobond. The PV of debt-to-exports ratio declines somewhat below the threshold.

24. **Under stress tests, thresholds for all four indicators are breached.** The commodity price shock is the most extreme shock scenario for external debt indicators.[18] Historical scenario points towards exploding PV of debt-to-exports, which reflects large historical current account deficit. This differs from the projection under the baseline, which assumes the 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

25. **Overall risk of public debt distress is assessed to be high as the PV of debt-to-GDP ratio breaches the benchmark under the baseline scenario in 2022-23.** However, this ratio is projected to fall below the benchmark in 2024 and remain below it onwards. The PV of debt-to-revenue ratio and the debt service-to-revenue ratio are also projected to decline gradually, after a temporal uptick in 2023.[19] The most extreme shock for public debt indicators, including the PV of debt-to-GDP ratio, the PV of debt-to-revenue ratio and debt-service-to-revenue ratio, are the commodity price shock.[20] The historical scenario projects

[18] While extreme shocks have been varying due to updated assumptions in exchange rate, real GDP and inflation, the primary balance and export shocks, which were extreme shocks in the previous vintages, remain critical to debt sustainability, requiring the authorities' continued effort in fiscal consolidation and increasing non-oil exports through diversification.

[19] The debt service of existing debt has been updated by the authorities, including adjusted repayment schedules for some structured debt and exchange rate depreciation.

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

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.

C. Market Module

26. The market financing tool points to moderate risks associated with market financing pressures (Figure 5). Cameroon's maximum three-year gross financing needs are estimated at 6 percent of GDP, which is lower than the suggested benchmark (14 percent). The latest available EMBI spread for Cameroon (618 bps as of February 9, 2023) is above the benchmark (570 bps) but has been dropping significantly from the peak above-750 in early January 2023.[21] On the other hand, the current spread data are based on a very thin market consisting of one bond with an outstanding value of US$200 million. With the EMBI spread breaching its threshold, the module signals moderate market financing pressures.

D. Risk Rating and Vulnerabilities

27. 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 temporarily 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 threshold, and its external debt service indicators have improved supported by the authorities' active debt management. Both the debt service-to-exports ratio and the debt service-to-revenue ratio, albeit above the thresholds, will be in a gradual downward trend. Taking all the above into consideration, staff maintains the assessment that Cameroon's debt is sustainable given the authorities' commitment to program objectives, including fiscal consolidation efforts, and active debt management. The likelihood that Cameroon will not be able to meet its current and future financial obligations is low.

28. The risks are tilted to the downside. On the external front, the ongoing war in Ukraine could set back the global recovery and prolong supply disruptions, casting additional pressure on the Cameroonian economy. Tightening global financial conditions could increase borrowing costs, while the market financing tools remain narrow. That said, the share of loans associated with variable interest rates is small at 15.9 percent of total debt as of September 2022, and commercial borrowing remains moderate at 13 percent of external debt, or 8.5 percent of total debt as of September 2022. A downward adjustment of global energy prices could lead to deterioration of both exports and fiscal revenue. On the domestic front, rising food and fuel prices could intensify socio-economic tensions, while continuing fuel subsidy could reduce fiscal space and derail Cameroon's fiscal consolidation efforts. Delayed restructuring of SONARA's debt would jeopardize debt sustainability. Regional security conflicts—if not well contained—could also compound the fiscal challenges. Other risks include realization of contingent liabilities from bank restructuring and from SOEs not included in the DSA baseline, and an acceleration in disbursements due to the large stock of SENDs.

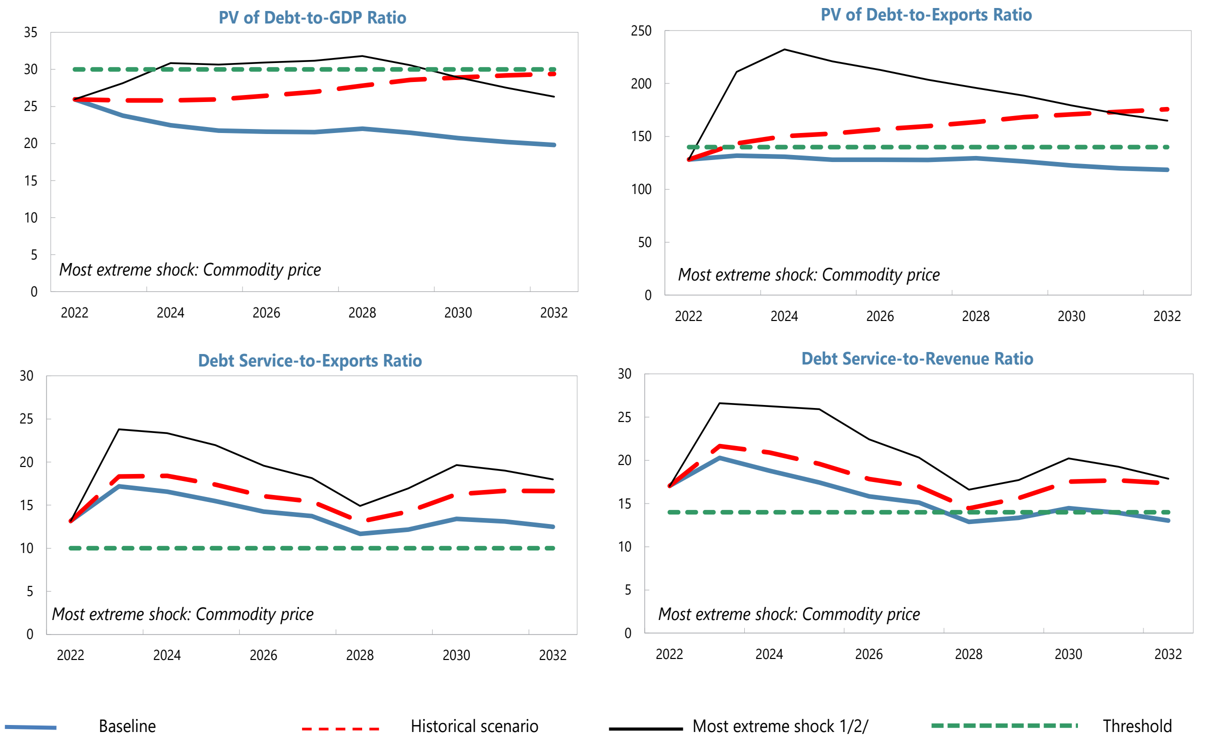
[21] The EMBI index cited in the previous DSA vintages has stopped being updated since July 2022. The current DSA cites the data from IMF MCM's Sovereign Spread Monitor.

29. To mitigate risks, Cameroon should firmly push forward its reform agenda to ensure its debt sustainability, while aligning its debt policy with other economic and social objectives. First, keeping public debt dynamics on a sustainable path requires a gradual fiscal consolidation. Improving fiscal deficit in the short term is needed to ensure debt sustainability. This should be coupled with structural fiscal reforms including further reducing the fuel subsidies and enhancing revenue mobilization. A prudent borrowing policy skewed towards concessional loans and limiting reliance on non-concessional borrowing should be pursued, while strengthening the management of the SENDs. On the other hand, redirecting resources with targeted spending should be strengthened, using windfall oil revenue gains for areas such as protecting the most vulnerable and prioritizing growth-enhancing public investment. Second, the authorities should closely monitor their debt servicing costs and actively manage their debt portfolio to minimize interest rate risks, amidst rising global financing costs. Third, vulnerable export-related debt indicators point to the need for improving competitiveness and achieving economic diversification. Reform momentum to improve the domestic business and investment environment should be accelerated, inviting more FDI and boosting exports. Lastly, the management of SOEs should be strengthened to reduce risks related to contingent liabilities. In particular, SONARA's debt restructuring efforts need to be further strengthened while fundamentally building its financial viability.

Authorities' Views

30. The authorities emphasized that reducing debt vulnerabilities is a key priority to support 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 and intensifying socio-political tensions. With regard to SONARA's debt restructuring, the authorities remained committed and will push forward the negotiations with stakeholders in 2023, completing SONARA's restructuring plan, including industrial and financial options. The authorities remain committed to an improvement of Cameroon's debt risk assessment, which will depend on continued active debt management, exports, and budgetary revenue performance, as well as the country's CI score, which reflects the country's debt carrying capacity. In 2023, the government will prepare a strategy to develop domestic financing by encouraging the participation of non-bank investors.

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	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	2.2%	2.2%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	5	5

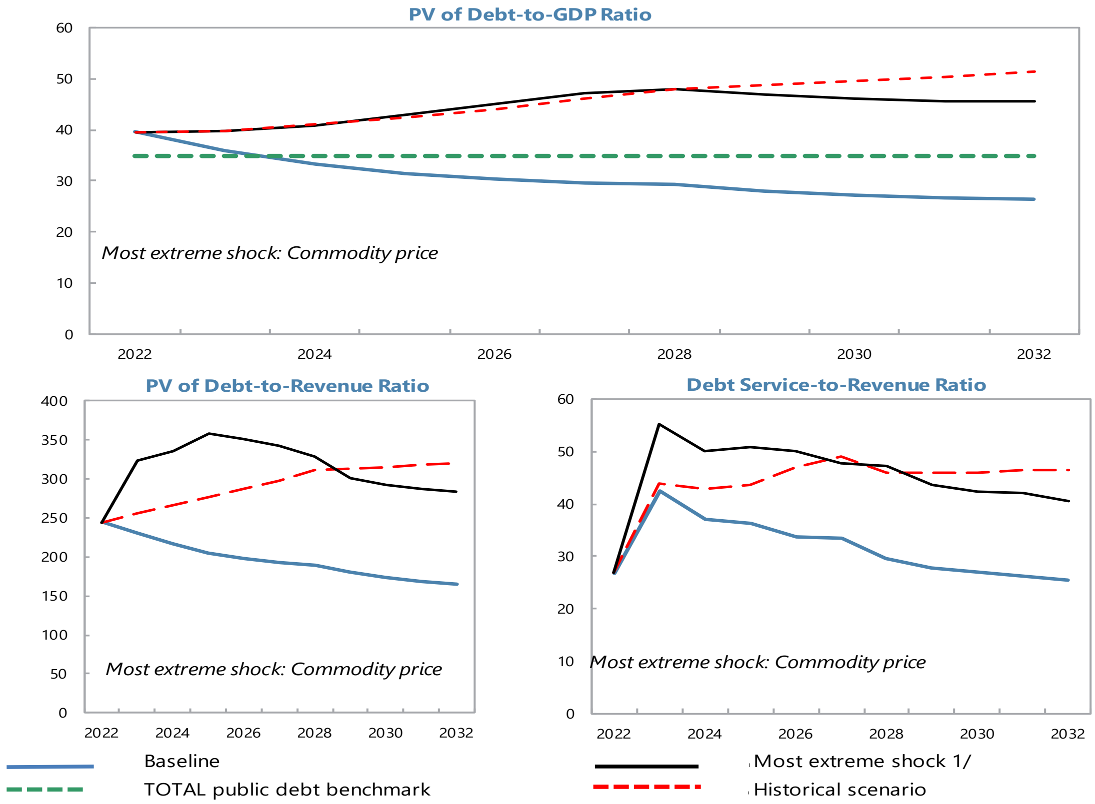
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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	59%	59%
Domestic medium and long-term	28%	28%
Domestic short-term	13%	13%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.2%	2.2%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	2.5%	2.5%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	0.2%	0.2%

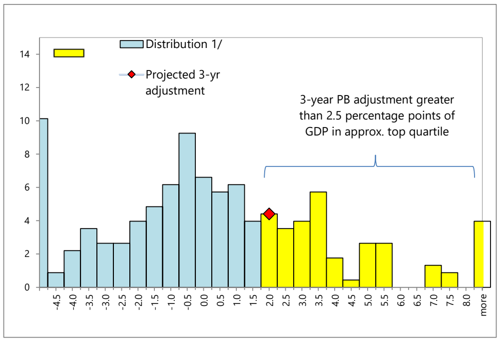
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

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.

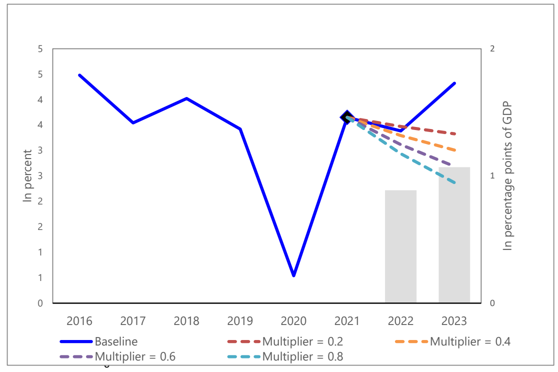
Figure 3. Cameroon: Realism Tools

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



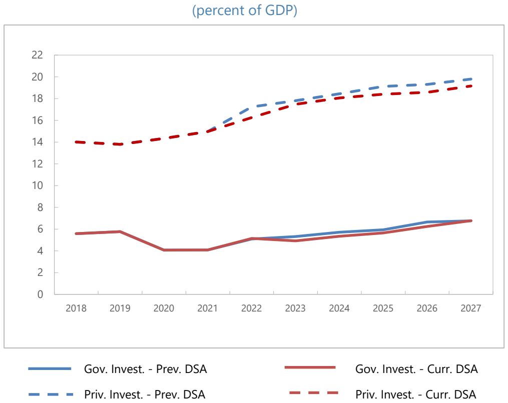
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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)

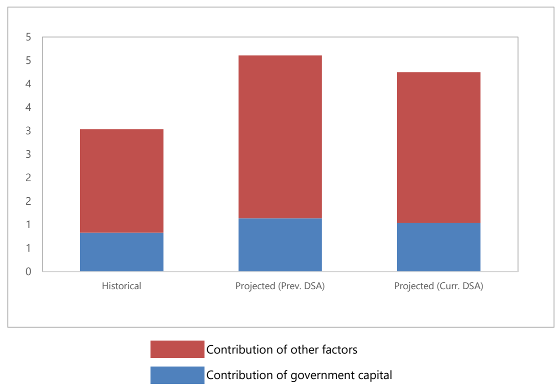
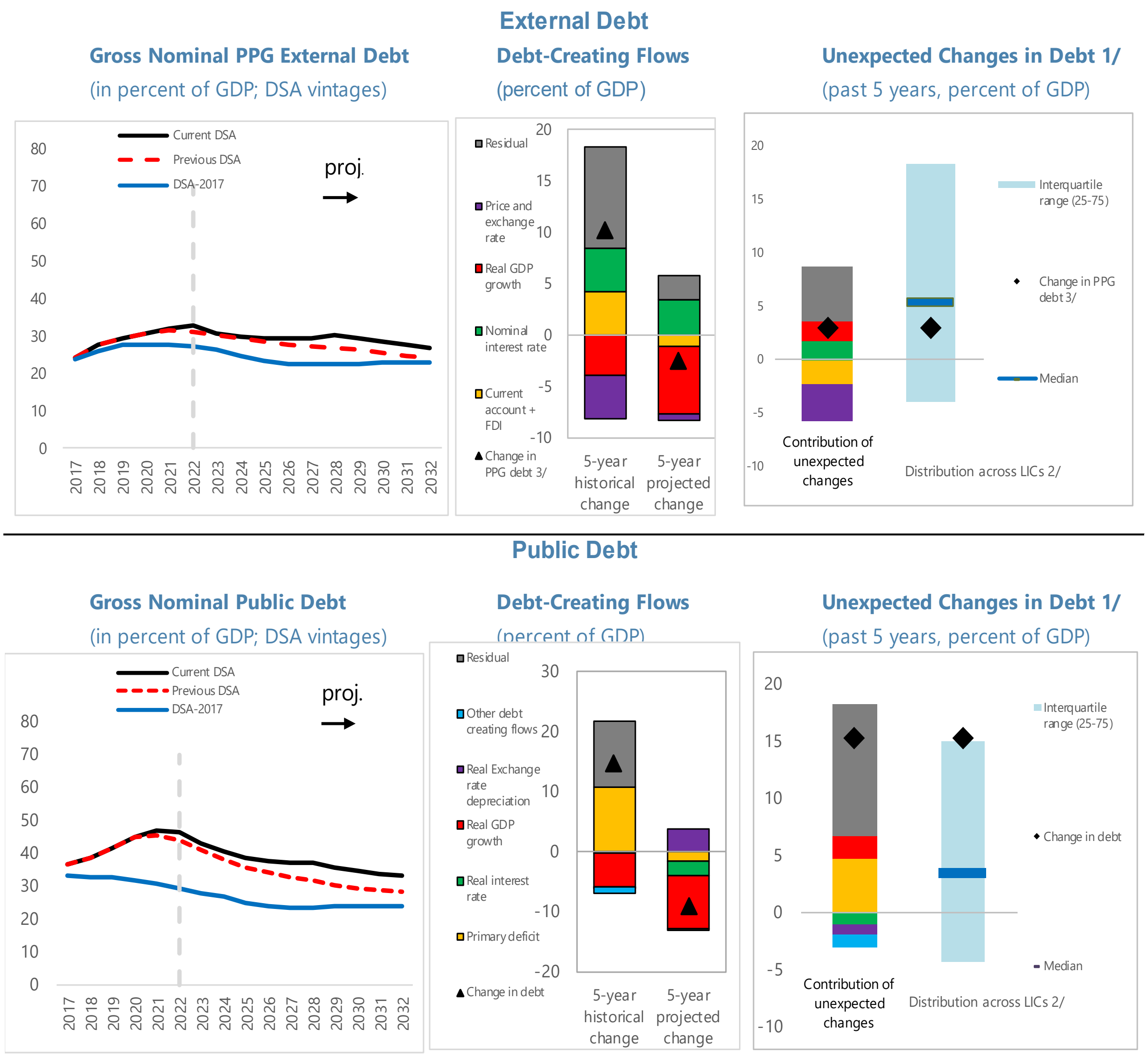


Figure 4. Cameroon: Drivers of Debt Dynamics- Baseline Scenario



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

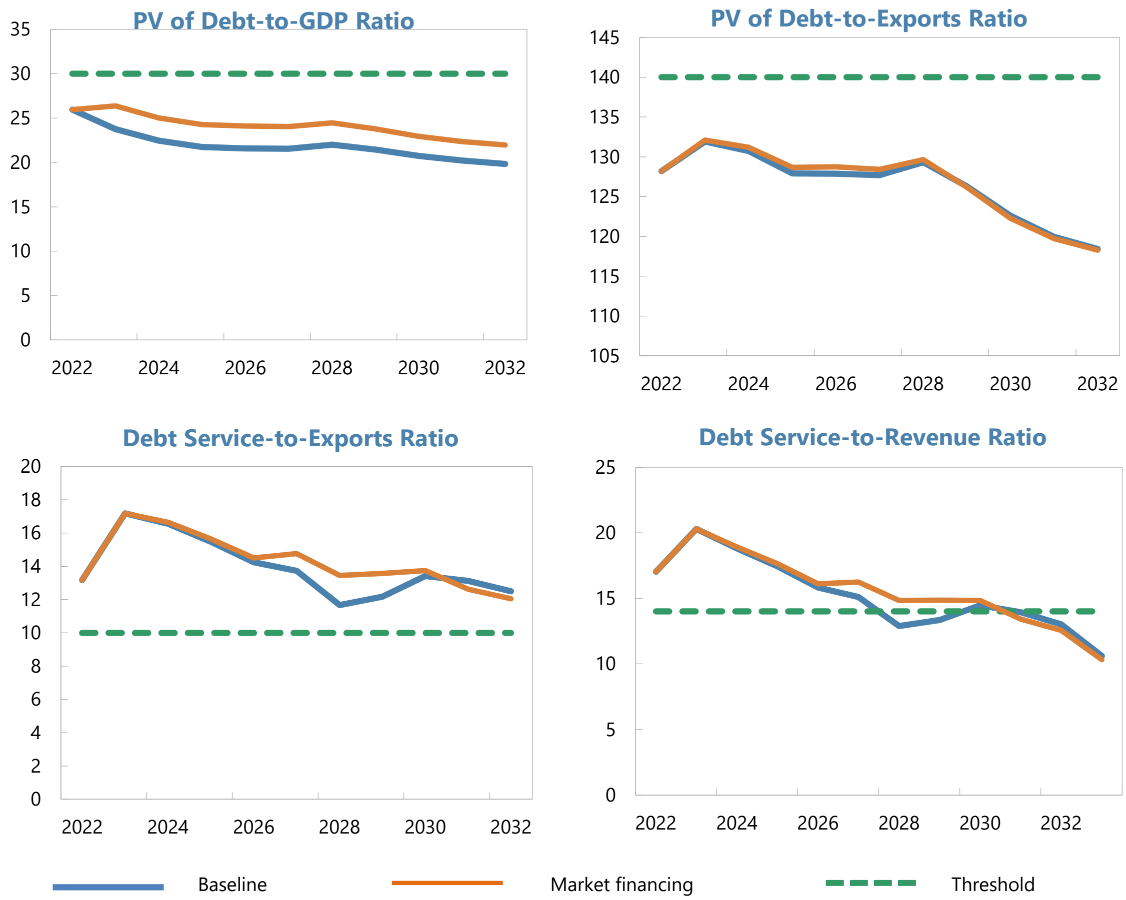
2/ Distribution across LICs for which LIC DSAs were produced.

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	6	682
Breach of benchmark	No	Yes
Potential heightened liquidity needs	Moderate	

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



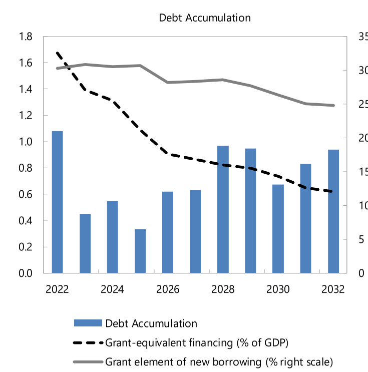
Sources: Country authorities; and staff estimates and projections.

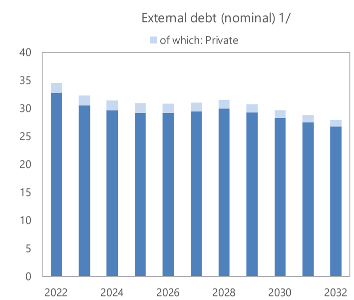
Table 1. Cameroon: External Debt Sustainability Framework, Baseline Scenario, 2019–2042

(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	33.4	34.5	32.3	31.4	30.9	30.8	31.0	27.9	21.1	24.2	30.9
of which: public and publicly guaranteed (PPG)	29.4	30.5	31.7	32.7	30.5	29.7	29.1	29.2	29.4	26.7	20.3	22.1	29.3
Change in external debt	3.5	-0.6	1.0	1.1	-2.2	-0.8	-0.5	0.0	0.1	-0.8	-1.4		
Identified net debt-creating flows	2.2	1.3	-1.3	-1.4	-0.5	-0.5	-0.9	-1.0	-1.1	-0.3	-0.1	0.6	-0.8
Non-interest current account deficit	3.2	3.1	3.2	1.1	2.1	2.2	1.9	1.8	1.8	2.3	1.7	2.8	1.9
Deficit in balance of goods and services	3.4	2.7	3.5	1.6	2.7	2.7	2.5	2.3	2.3	2.9	2.4	2.8	2.4
Exports	19.5	15.0	16.4	20.2	18.0	17.2	17.0	16.9	16.9	16.7	16.1		
Imports	22.9	17.6	19.9	21.9	20.8	19.9	19.5	19.2	19.2	19.6	18.5		
Net current transfers (negative = inflow)	-1.3	-1.0	-1.1	-1.4	-1.1	-0.9	-1.0	-0.9	-0.9	-1.0	-1.1	-1.1	-1.0
of which: official	-0.3	-0.2	-0.2	-0.6	-0.2	0.0	-0.1	0.0	0.0	0.0	0.0		
Other current account flows (negative = net inflow)	1.1	1.4	0.8	0.9	0.5	0.4	0.4	0.4	0.4	0.4	0.4	1.1	0.4
Net FDI (negative = inflow)	-2.3	-1.5	-2.0	-1.8	-2.0	-2.1	-2.2	-2.2	-2.2	-1.9	-1.4	-2.0	-2.1
Endogenous debt dynamics 2/	1.3	-0.3	-2.4	-0.7	-0.6	-0.5	-0.6	-0.7	-0.7	-0.7	-0.4		
Contribution from nominal interest rate	1.0	0.6	0.8	0.5	0.7	0.8	0.7	0.7	0.7	0.6	0.5		
Contribution from real GDP growth	-1.0	-0.2	-1.1	-1.2	-1.3	-1.3	-1.4	-1.4	-1.4	-1.3	-0.9		
Contribution from price and exchange rate changes	1.3	-0.8	-2.2	...	...	...	...	...	...	...	...		
Residual 3/	1.2	-1.9	2.3	2.5	-1.7	-0.4	0.4	1.0	1.2	-0.5	-1.3	1.7	0.4
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	...	...	23.9	26.0	23.7	22.5	21.7	21.6	21.5	19.8	15.9		
PV of PPG external debt-to-exports ratio	...	...	145.5	128.2	131.9	130.7	127.9	127.9	127.7	118.4	98.8		
PPG debt service-to-exports ratio	19.3	10.2	20.4	13.2	17.2	16.6	15.5	14.2	13.7	12.5	10.1		
PPG debt service-to-revenue ratio	25.2	11.5	23.6	17.0	20.3	18.8	17.5	15.8	15.1	13.0	8.7		
Gross external financing need (Billion of U.S. dollars)	3.0	1.6	2.3	1.1	1.7	1.7	1.4	1.3	1.3	2.1	3.0		
Key macroeconomic assumptions													
Real GDP growth (in percent)	3.4	0.5	3.6	3.4	4.3	4.4	4.5	4.6	4.7	4.8	4.4	4.1	4.5
GDP deflator in US dollar terms (change in percent)	-4.1	2.4	7.2	-6.8	6.6	3.6	0.3	-1.0	-1.6	1.8	1.5	0.2	0.6
Effective interest rate (percent) 4/	3.5	1.9	2.7	1.3	2.3	2.6	2.5	2.3	2.3	2.2	2.5	3.2	2.2
Growth of exports of G&S (US dollar terms, in percent)	5.5	-21.0	22.1	18.6	-1.1	3.2	3.7	2.9	3.1	6.0	5.8	0.9	5.4
Growth of imports of G&S (US dollar terms, in percent)	7.6	-20.7	25.5	5.7	5.5	3.7	2.8	2.1	2.9	7.2	5.1	2.0	5.0
Grant element of new public sector borrowing (in percent)	...	...	...	30.3	30.9	30.5	30.7	28.1	28.3	24.8	21.2	...	28.3
Government revenues (excluding grants, in percent of GDP)	14.9	13.3	14.2	15.7	15.2	15.1	15.1	15.2	15.3	16.1	18.9	14.9	15.5
Aid flows (in Billion of US dollars) 5/	2583.0	0.1	0.1	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.1		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.7	1.4	1.3	1.1	0.9	0.9	0.6	0.2	...	1.0
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	38.7	37.1	36.3	36.1	31.1	30.9	24.8	21.2	...	31.5
Nominal GDP (Billion of US dollars)	40	41	45	44	49	53	55	57	59	78	150		
Nominal dollar GDP growth	-0.8	3.0	11.1	-3.7	11.2	8.2	4.8	3.6	3.1	6.7	6.0	4.3	5.2
Memorandum items:													
PV of external debt 7/	...	...	25.6	27.7	25.5	24.2	23.5	23.2	23.1	21.0	16.7		
In percent of exports	...	...	155.7	136.9	141.7	140.8	138.1	137.6	136.9	125.6	103.4		
Total external debt service-to-exports ratio	25.0	16.0	23.9	15.6	19.0	18.0	17.0	15.8	15.2	13.7	10.9		
PV of PPG external debt (in Billion of US dollars)			10.9	11.3	11.5	11.8	12.0	12.3	12.7	15.5	23.8		
(PVt-PVt-1)/GDPt-1 (in percent)				1.1	0.5	0.5	0.3	0.6	0.6	0.9	-0.1		
Non-interest current account deficit that stabilizes debt ratio	-0.2	3.7	2.1	0.0	4.4	3.0	2.4	1.9	1.7	3.1	3.1		

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.

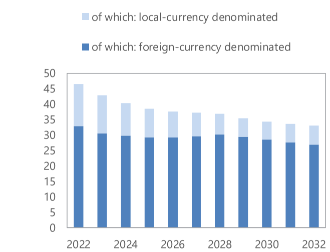
Table 2. Cameroon: Public Sector Debt Sustainability Framework, Baseline Scenario, 2019–2042

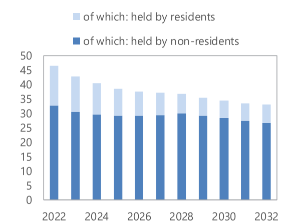
(In percent of GDP, unless otherwise indicated)

	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	46.8	46.4	42.8	40.4	38.5	37.5	37.2	33.0	29.6	32.5	37.8
of which: external debt	29.4	30.5	31.7	32.7	30.5	29.7	29.1	29.2	29.4	26.7	20.3	22.1	29.3
Change in public sector debt	3.3	3.3	1.9	-0.4	-3.7	-2.4	-1.9	-1.0	-0.4	-0.6	0.0		
Identified debt-creating flows	1.9	-0.1	1.7	-3.0	-3.1	-2.3	-2.5	-2.0	-1.6	-0.7	-0.1	1.9	-1.9
Primary deficit	1.9	2.1	1.5	0.6	-0.4	-0.6	-0.9	-0.4	0.0	0.7	0.8	2.7	0.0
Revenue and grants	15.5	13.5	14.4	16.2	15.6	15.4	15.3	15.3	15.4	16.1	18.9	15.1	15.6
of which: grants	0.6	0.1	0.3	0.5	0.3	0.3	0.2	0.1	0.1	0.0	0.0		
Primary (noninterest) expenditure	17.5	15.6	16.0	16.8	15.2	14.9	14.4	14.9	15.4	16.8	19.7	17.9	15.6
Automatic debt dynamics	-0.3	-2.2	0.1	-3.6	-2.7	-1.8	-1.6	-1.5	-1.6	-1.4	-0.9		
Contribution from interest rate/growth differential	-1.1	0.1	-2.4	-3.6	-2.7	-1.8	-1.6	-1.5	-1.6	-1.4	-0.9		
of which: contribution from average real interest rate	0.1	0.3	-0.8	-2.1	-0.7	0.0	0.1	0.2	0.1	0.1	0.3		
of which: contribution from real GDP growth	-1.3	-0.2	-1.6	-1.5	-1.9	-1.8	-1.7	-1.7	-1.7	-1.5	-1.3		
Contribution from real exchange rate depreciation	0.8	-2.3	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	0.3	2.6	-0.6	0.0	0.6	1.0	1.2	0.1	0.1	1.3	0.6
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	40.1	39.5	36.0	33.4	31.4	30.3	29.7	26.5	25.5		
PV of public debt-to-revenue and grants ratio	...	...	278.4	244.3	231.2	216.7	205.2	197.9	192.6	164.8	135.3		
Debt service-to-revenue and grants ratio 3/	24.3	49.3	46.2	26.8	42.4	37.2	36.3	33.8	33.6	25.5	22.0		
Gross financing need 4/	7.7	8.7	8.2	5.0	6.2	5.2	4.7	4.7	5.1	4.8	4.9		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	3.4	0.5	3.6	3.4	4.3	4.4	4.5	4.6	4.7	4.8	4.4	4.1	4.5
Average nominal interest rate on external debt (in percent)	2.8	2.1	2.2	1.2	2.0	2.5	2.3	2.2	2.1	2.1	2.4	2.8	2.1
Average real interest rate on domestic debt (in percent)	-1.2	1.0	-1.5	-2.9	-0.9	-0.1	1.4	2.4	2.5	2.8	3.8	-1.2	1.4
Real exchange rate depreciation (in percent, + indicates depreciation)	3.0	-8.0	8.9	...	...	...	...	...	...	...	...	2.2	...
Inflation rate (GDP deflator, in percent)	1.2	0.5	3.3	4.6	4.8	4.3	3.0	2.0	2.0	1.8	1.5	1.6	2.8
Growth of real primary spending (deflated by GDP deflator, in percent)	6.6	-10.3	6.2	9.0	-6.0	2.3	1.7	7.7	8.4	7.5	5.8	3.3	5.1
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-1.3	-1.2	-0.4	1.0	3.2	1.8	1.0	0.5	0.3	1.3	0.8	-1.0	1.3
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

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

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

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

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

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	26	24	22	22	22	22	22	21	21	20	20
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	26	26	26	26	26	27	28	29	29	29	29
B. Bound Tests											
B1. Real GDP growth	26	24	24	23	23	23	23	23	22	21	21
B2. Primary balance	26	26	29	28	28	29	30	29	28	27	27
B3. Exports	26	26	29	28	28	28	28	27	26	25	24
B4. Other flows 3/	26	24	23	23	22	22	23	22	21	21	20
B5. Depreciation	26	30	25	25	24	24	25	24	23	23	23
B6. Combination of B1-B5	26	27	25	24	24	24	24	24	23	22	22
C. Tailored Tests											
C1. Combined contingent liabilities	26	29	28	27	28	29	29	29	28	27	27
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	26	28	**31**	**31**	**31**	**31**	**32**	**31**	29	28	26
C4. Market Financing	26	26	25	24	24	24	24	24	23	22	22
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	128	132	131	128	128	128	129	126	123	120	118
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	128	**143**	**150**	**153**	**157**	**160**	**164**	**168**	**171**	**173**	**176**
B. Bound Tests											
B1. Real GDP growth	128	132	131	128	128	128	129	126	123	120	118
B2. Primary balance	128	**143**	**167**	**166**	**169**	**172**	**175**	**171**	**166**	**162**	**159**
B3. Exports	128	**166**	**216**	**212**	**213**	**213**	**216**	**210**	**201**	**195**	**190**
B4. Other flows 3/	128	135	136	133	133	133	135	131	127	124	122
B5. Depreciation	128	132	119	116	116	115	117	114	111	110	109
B6. Combination of B1-B5	128	**150**	133	**151**	**151**	**151**	**153**	**149**	**144**	**141**	139
C. Tailored Tests											
C1. Combined contingent liabilities	128	**159**	**162**	**161**	**168**	**170**	**172**	**170**	**166**	**163**	**161**
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	128	**211**	**232**	**221**	**213**	**203**	**196**	**189**	**179**	**171**	**165**
C4. Market Financing	128	132	131	129	129	128	130	126	122	120	118
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	**13**	**17**	**17**	**15**	**14**	**14**	**12**	**12**	**13**	**13**	**13**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**13**	**18**	**18**	**17**	**16**	**15**	**13**	**14**	**16**	**17**	**17**
B. Bound Tests											
B1. Real GDP growth	**13**	**17**	**17**	**15**	**14**	**14**	**12**	**12**	**13**	**13**	**13**
B2. Primary balance	**13**	**17**	**17**	**17**	**16**	**16**	**14**	**15**	**17**	**16**	**16**
B3. Exports	**13**	**20**	**23**	**22**	**20**	**20**	**17**	**18**	**22**	**21**	**20**
B4. Other flows 3/	**13**	**17**	**17**	**16**	**14**	**14**	**12**	**12**	**14**	**14**	**13**
B5. Depreciation	**13**	**17**	**17**	**15**	**14**	**13**	**11**	**12**	**12**	**12**	**12**
B6. Combination of B1-B5	**13**	**18**	**19**	**18**	**17**	**16**	**14**	**15**	**16**	**15**	**15**
C. Tailored Tests											
C1. Combined contingent liabilities	**13**	**17**	**17**	**16**	**15**	**15**	**13**	**13**	**15**	**14**	**14**
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	**13**	**24**	**23**	**22**	**20**	**18**	**15**	**17**	**20**	**19**	**18**
C4. Market Financing	**13**	**17**	**17**	**16**	**14**	**15**	**13**	**14**	**14**	**13**	**12**
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	**17**	**20**	**19**	**17**	**16**	**15**	13	13	**14**	14	13
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**17**	**22**	**21**	**20**	**18**	**17**	**14**	**16**	**18**	**18**	**17**
B. Bound Tests											
B1. Real GDP growth	**17**	**21**	**20**	**18**	**17**	**16**	14	**14**	**15**	**15**	14
B2. Primary balance	**17**	**20**	**20**	**20**	**18**	**17**	**15**	**16**	**18**	**17**	**16**
B3. Exports	**17**	**21**	**20**	**19**	**17**	**17**	**14**	**16**	**18**	**17**	**16**
B4. Other flows 3/	**17**	**20**	**19**	**18**	**16**	**15**	13	14	**15**	**14**	13
B5. Depreciation	**17**	**25**	**23**	**21**	**19**	**18**	**16**	**16**	**17**	**16**	**15**
B6. Combination of B1-B5	**17**	**22**	**21**	**19**	**17**	**17**	**14**	**15**	**16**	**15**	**14**
C. Tailored Tests											
C1. Combined contingent liabilities	**17**	**20**	**20**	**18**	**17**	**16**	**14**	**15**	**16**	**15**	**14**
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**	**27**	**26**	**26**	**22**	**20**	**17**	**18**	**20**	**19**	**18**
C4. Market Financing	**17**	**20**	**19**	**18**	**16**	**16**	**15**	**15**	**15**	13	13
Threshold	14	14	14	14	14	14	14	14	14	14	14

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	**40**	**36**	33	31	30	30	29	28	27	27	26
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**40**	**40**	**41**	**42**	**44**	**46**	**48**	**49**	**49**	**50**	**51**
B. Bound Tests											
B1. Real GDP growth	**40**	**37**	**36**	35	34	34	35	34	34	34	34
B2. Primary balance	**40**	**40**	**43**	**41**	**40**	**39**	**38**	**37**	**36**	35	34
B3. Exports	**40**	**38**	**39**	**36**	**35**	35	35	33	32	31	30
B4. Other flows 3/	**40**	**37**	34	32	31	31	30	29	28	27	27
B5. Depreciation	**40**	**42**	**38**	35	32	31	30	27	25	24	23
B6. Combination of B1-B5	**40**	**38**	**39**	**37**	**35**	34	34	32	31	30	29
C. Tailored Tests											
C1. Combined contingent liabilities	**40**	**46**	**43**	**40**	**39**	**38**	**38**	**36**	**35**	34	34
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**40**	**40**	**41**	**43**	**45**	**47**	**48**	**47**	**46**	**46**	**46**
C4. Market Financing	**40**	**36**	34	32	30	30	29	28	27	27	26
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
					PV of Debt-to-Revenue Ratio						
Baseline	244	231	217	205	198	193	189	181	173	168	165
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	244	256	265	277	288	298	311	313	315	318	320
B. Bound Tests											
B1. Real GDP growth	244	240	236	228	225	223	224	219	214	212	211
B2. Primary balance	244	255	279	267	258	251	248	237	226	219	213
B3. Exports	244	243	250	238	231	226	223	213	202	195	189
B4. Other flows 3/	244	235	222	211	204	198	195	186	178	173	169
B5. Depreciation	244	270	246	227	212	200	191	175	161	150	141
B6. Combination of B1-B5	244	244	254	240	230	222	217	206	195	188	183
C. Tailored Tests											
C1. Combined contingent liabilities	244	293	276	264	254	248	245	234	224	217	212
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	244	323	336	358	352	342	329	302	293	288	283
C4. Market Financing	244	231	217	206	199	193	190	180	173	168	165
					Debt Service-to-Revenue Ratio						
Baseline	27	42	37	36	34	34	30	28	27	26	26
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	27	44	43	44	47	49	46	46	46	46	46
B. Bound Tests											
B1. Real GDP growth	27	44	40	39	37	38	34	33	33	32	32
B2. Primary balance	27	42	42	44	44	46	36	34	35	32	32
B3. Exports	27	42	38	37	35	34	30	29	30	29	28
B4. Other flows 3/	27	42	37	36	34	34	30	28	28	27	26
B5. Depreciation	27	43	42	40	37	37	32	31	31	30	28
B6. Combination of B1-B5	27	41	41	41	41	42	32	29	29	27	26
C. Tailored Tests											
C1. Combined contingent liabilities	27	42	49	40	53	40	33	34	31	29	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	27	55	50	51	50	48	47	44	42	42	41
C4. Market Financing	27	42	37	37	34	35	32	29	27	26	25

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. Sylla, Mr. N'Sonde, and Mr. Diakite on Cameroon
March 8, 2023

Our Cameroonian authorities appreciate the engagement with the Fund and thank Management and staff for the quality policy dialogue under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) Arrangements. Policy discussions for the third review focused notably on the need to maintain the program's fiscal consolidation trajectory, create fiscal space for productive and social expenditures, strengthen the financial sector, and accelerate structural reforms to foster private sector-led inclusive growth. The forthcoming visit of the Deputy Managing Director in Yaoundé in March 2023 will represent a good opportunity to deepen these policy discussions in a context marked by the difficult health, economic, and security conditions, and the conflict in Ukraine.

Following the economic contraction in mid-2020, the recovery continued in 2022 albeit at a slower pace than envisaged. The economic rebound that started in mid-2021, supported by higher oil prices and non-oil production slowed down due notably to high global prices of food and petroleum products, low external demand, and tightening global financial conditions. Quantitative program performance and implementation of some structural benchmarks in the period under review have been challenging in an environment of multiple shocks.

Our authorities remain committed to the objectives of the ECF/EFF- supported program. They are determined to maintain macroeconomic stability and speed up their actions to effectively address the scars of the pandemic crisis and alleviate the negative impacts of the concurrent shocks on vulnerable populations and the economy. They will continue to implement policies consistent with the regional economic and financial reforms program (PREF-CEMAC) and aimed at preserving external stability and rebuilding foreign exchange reserves at the regional central Bank (BEAC). The authorities' medium-term economic and financial policies to restore strong, sustained, and inclusive growth will continue to be framed by the National Development Strategy (SND-30) aimed at achieving an average annual growth rate of 8.1 percent by 2030.

I. Recent Economic Developments

The Cameroonian economy remained resilient in 2022 amid elevated risks in an uncertain environment. Growth is expected to have reached 3.4 percent, and inflation 6 percent at end-2022, reflecting the surge in international prices of food, fertilizer, and petroleum products. The elevated costs of food and agricultural products raised concerns for food security which the authorities are strengthening with the support of development partners, including the African Development Bank and World Bank.

In the fiscal area, the positive impact of higher oil revenues and strong non-oil revenues on the budget have been mitigated by external shocks and the authorities' necessary policy response to the crisis, including fuel subsidies. Consequently, the non-oil primary deficit has increased to 4.5 percent of GDP in 2022, from 3.9 percent in 2021. However, the ratio of public debt to GDP is expected to remain stable at 46.4 percent of GDP, owing in part to the tighter overall fiscal stance of the authorities.

The external position benefitted from higher oil export prices which have more than compensated for rising prices of refined petroleum imports. The current account deficit (including grants) should have improved to 1.6 percent of GDP, down from 4 percent in 2021. Furthermore, capital outflows have been contained thanks notably to the CEMAC foreign exchange regulations, although these have slowed import payment transactions.

II. Performance under the ECF/EFF-supported Program

Program performance was mixed amid a challenging environment of multiple shocks. All quantitative performance criteria at end-June 2022 have been met. However, the floor on the non-oil primary fiscal balance at end-December 2022 and the zero ceiling on the accumulation of new external arrears were missed. The underestimation of the fuel subsidy in the budget is the reason for missing the floor on the non-oil primary fiscal balance. Regarding the accumulation of new external arrears, and as indicated by staff, all payments have since been cleared. Corrective measures have been taken, including a prior action on domestic fuel price increase. Two out of five indicative targets at end-June and end-September 2022 were met. The ceilings on the direct interventions of the National Hydrocarbons Company (SNH), the share of spending using exceptional procedures, and the accumulation of net domestic arrears were not met. The former two indicative targets were missed mainly because of security spending (SNH direct interventions) and higher advances to traders against the background of higher international oil prices and absence of retail fuel price adjustments. Going forward, the authorities have committed to improve the monitoring of expenditures through exceptional procedures as well as those related to the direct interventions by SNH.

Progress in the implementation of structural reforms has continued, albeit some with delays. Of the 14 structural benchmarks under the third review, 7 have been completed of which 5 with delays. Six of the seven structural benchmarks that were not met have been rephased. In this regard, corrective actions have been taken and the authorities have stepped up their efforts to accelerate the implementation of the structural reform agenda.

III. Medium-term Macroeconomic Policies and Structural Reforms

The authorities believe that despite being clouded by significant uncertainty, the medium-term economic outlook remains positive. Their expectation of a continuous recovery is based on the strong contribution of the non-oil sector, provided that the Covid-19 pandemic subsides. Economic growth is projected at 4.3 percent in 2023. Output in the oil sector is expected to recover in 2023 and then remain broadly unchanged over the medium term as increasing gas production compensate for the depletion of oil fields. Average inflation is projected at 5.9 percent in 2023 and should stabilize around 2 percent in the medium term, below the CEMAC convergence threshold. The current account deficit should also improve and settle below 3 percent of GDP in the medium term, driven notably by effective programs to promote non-oil exports, import substitution measures, and regional integration. Compliance with the CEMAC foreign exchange regulations should also foster greater repatriation of export proceeds and limit illicit financial outflows. It is in this context that the authorities will continue to implement their Fund-supported program to strengthen macroeconomic stability and foster a stronger, resilient, and inclusive private sector-led growth.

Fiscal Policy and Reforms

The authorities' medium-term fiscal policy remains anchored by a prudent stance to preserve fiscal and debt sustainability and create the necessary space for financing priority social and infrastructure spending. To this end, they will continue their fiscal consolidation efforts while mitigating the impact of the difficult international situation on vulnerable groups and addressing social and security needs. Therefore, in 2023, the broad areas for fiscal policy include maintaining security and promoting reconstruction in stressed regions, completing major energy and transport projects, and strengthening social safety nets.

On the revenue side, the authorities are mindful of the need to significantly boost non-oil revenue collection from its current low rate of 12 percent of GDP. In this regard, they will implement reforms in both tax policy and tax administration in line with the recommendations of the diagnostic study of tax policy conducted with Fund's technical assistance (TA) in October 2022. Some key measures that the authorities will take to enhance domestic revenue mobilization include improvement in VAT collection and rationalization of investment incentives which will promote fair competition among businesses. Moreover, the tax and customs administrations are continuing their efforts to combat tax evasion and fraud, close loopholes, and broaden the tax base. To enforce compliance, a top priority will be to strengthen the cooperation among revenue agencies, notably by creating a single taxpayer database.

On the expenditure side, the priorities include phasing out fuel subsidies and boosting social spending. The authorities recognize the need to phase out fuel subsidies, while introducing measures to mitigate the impact on the most vulnerable populations. To this end, they plan a gradual increase in retail fuel prices to help create the fiscal space necessary for productive investment and social spending. On February 1, 2023, the government took the bold decision to increase fuel prices by 15.9 percent for gasoline and 25.2 percent for diesel, consistent with its strategy to reduce fuel subsidies and limit their net fiscal impact to zero in 2023. Going forward, further domestic retail fuel price adjustments are planned in 2024 and 2025 as the authorities work on a broader fuel price mechanism reform. In line with their commitment to mitigate the impact of the adjustments on disadvantaged households, the authorities announced a package including increasing the minimum wage by 15.5 percent and public wages by 5.2 percent. Furthermore, they have committed to an additional increase in the conditional cash transfers on top of those provided for in the 2023 budget, in a forthcoming supplemental budget.

The authorities will pursue on-going reforms to improve the quality of public expenditure and cash flow management. The reforms aim notably at enhancing the credibility and transparency of the budget execution, including through credible monthly cash flow plans consistent with both the commitment and public procurement plans. They will also limit the use of exceptional procedures. Concerning the Treasury Single Account (TSA), all the accounts to be transferred have been identified, but their repatriation to the TSA is contingent on the operationalization of the regional BEAC platform. Other important PFM reforms will aim at reinforcing the governance and management of SOEs while improving service delivery and limiting fiscal risks; strengthening the civil service pension with a view to reducing quasi-fiscal risks; and buttressing the framework for selection, planning, and execution of investment projects.

The authorities are committed to improve debt management and sustainability. Mindful of the high risk of debt distress facing the country, the authorities will implement a carefully paced borrowing policy that favors concessional loans. They intend to limit non-concessional loans to financing high-priority and cost-effective projects with proven socioeconomic returns and for which concessional financing is not available. This prudent debt policy will be supported by efforts to strengthen debt management. In this regard, the National Committee on Public Debt (CNDP) is relied upon to play a central role in approving all public debt proposals and requests for government guarantees. Furthermore, the authorities remain dedicated to clearing domestic arrears and settling outstanding public sector debts.

<u>Structural Reforms, Climate Change and Governance</u>

The authorities will pursue their efforts to remove structural impediments to private sector development and further economic diversification. The authorities put a focus on promoting a strong private sector which is expected to play a central role in the country's strategy to foster robust and inclusive growth. To this end, regular consultations are taking place with the private sector with the view to initiate the reform of business incentives—especially the law on private investment incentives—to foster a competitive business environment. Being the largest economy in CEMAC, Cameroon's economy is an engine for regional growth, and trade facilitation plays a key role in strengthening competitiveness. In this regard, the authorities will support regional initiatives that promote notably the interconnection of customs information systems, and the continued simplification of procedures and administrative formalities for cross-border exchanges. Furthermore, reforms in the financial sector will prioritize strengthening the system's stability, advancing financial inclusion, and improving asset quality. In collaboration with the regional supervisor COBAC, the authorities will implement the restructuring plan for the two distressed banks which are expected to be privatized within three years.

Protecting the environment and strengthening resilience to climate change is a key pillar under SND-30. In this connection, the authorities are working to restore approximately 12 million hectares of degraded lands under the AFR 100 Initiative, consistent with the Glasgow Declaration on Forests and Land Use at the 2021 COP26. The government is devoted to implement measures to improve Cameroon's climate resilience in four priority areas: agriculture, forestry, and land use; urban development; infrastructure; and human capital.

The authorities intend to tackle weaknesses in their governance and anti-corruption framework. On the basis of the governance diagnostic to be conducted with the assistance of the Fund, they will address macro critical vulnerabilities affecting economic activity, notably in the areas of fiscal governance; supervision of the financial sector; rule of law; and fight against money laundering and the financing of terrorism (AML/CFT). The government will implement measures to strengthen the national AML/CFT framework in line with the March 2022 report by the Task Force on Money Laundering in Central Africa (GABAC). Moreover, regarding transparency, the 2020 EITI report was published in December 2022, and the authorities are working on implementing 15 corrective measures in preparation for the new validation session scheduled for April 2023, to be followed by the publication of the 2021 EITI report scheduled for June 2023. On Covid19-related expenditures, the Accounting Chamber "*Chambre des Comptes*" has completed the report on 2021 expenditures and is finalizing the audit of these expenditures which has been delayed to allow time for beneficiary administrations to react to the audit comments.

IV. Conclusion

Our Cameroonian authorities remain committed to the objectives of the ECF/EFF program which are consistent with their own development strategy SND-30. They will continue to implement sound policies and reforms aimed at preserving macroeconomic and regional external stability, ameliorating public financial management and the business environment, and achieving strong and sustainable economic growth.

In view of the challenges posed by external shocks, and Cameroon's committed reform efforts, the authorities seek Executive Directors' support for the completion of the third review under the ECF/EFF Arrangements. In addition, they request waivers for performance criteria applicability, nonobservance of performance criteria, and modification of performance criteria.