Cameroon: Fourth Review under the Extended Credit Facility Arrangement and Requests for Waivers of Nonobservance of Performance Criteria and Modification of Performance Criteria-Press Release; Staff Report; and Statement by the Executive Director for Cameroon

INTERNATIONAL MONETARY FUND

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CAMEROON

July 2019

FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR WAIVERS OF 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 Fourth Review under the Extended Credit Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 17, 2019, following discussions that ended on May 3, 2019, 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 June 17, 2019.
- A **Supplement** updating information on recent developments.
- A **Statement by the Executive Director** for Cameroon.

The documents listed below have been or will be separately released:

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

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

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July 17, 2019

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Washington, D.C. 20431 USA

IMF Executive Board Completes Fourth ECF Review for Cameroon and Approves US$76.2 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) completed the fourth review of the arrangement under the Extended Credit Facility (ECF) for Cameroon on July 17, 2019. The completion of the review enables the disbursement of SDR 55.2 million (about US$76.2 million), bringing total disbursements under the arrangement to SDR 372.6 million (about US$514.5 million).

The Executive Board also approved the authorities' request for a waiver for the non-observance of the performance criteria pertaining to the external arrears' accumulation and the ceiling on net BEAC financing, based on the corrective actions taken by the authorities.

Cameroon's three-year arrangement was approved on June 26, 2017 for SDR 483 million (about US$666.9million, or 175 percent of Cameroon's quota—see Press Release No.17/248.) The arrangement aims at supporting the country's efforts to restore external and fiscal sustainability and to lay the foundations for a more sustainable, inclusive and private sector-led growth.

Following the Executive Board discussion, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, made the following statement:

"Cameroon's performance under the ECF-supported program has improved from a year ago. Most end-December 2018 targets including on the fiscal deficit have been met, and structural reforms are advancing.

Cameroon continues to play a leadership role in the rebuilding of CEMAC's fiscal and external buffers. Going forward, the Cameroonian authorities' continued support of the implementation of the BEAC's foreign exchange regulation will be essential to ensure full repatriation of foreign exchange receipts.

Enhanced fiscal discipline is key to reaching the end-2019 program targets and mitigating risks from external shocks and security challenges. Reducing recourse to exceptional spending procedures and completing the Treasury Single Account reform will support the steadfast implementation of the 2019 budget while improving cash management and the transparency of budget execution.

Refraining from new non-concessional borrowing and strictly adhering to the disbursement plan for contracted-but-undisbursed loans are essential to preserving debt sustainability. Further project prioritization and enhanced investment efficiency will help address developmental needs while supporting prudent debt management. Improving the financial viability of key public enterprises through performance contracts and targeted reforms of administered prices will reduce reliance on subsidies and mitigate risks from contingent liabilities.

Enhancing financial inclusion, the business climate, and governance remains central to promoting private sector development and boosting competitiveness. In particular, further strengthening EITI compliance and the AML/CFT framework are essential to promoting private sector-led growth and attracting foreign investment.

Cameroon's program continues to be supported by the implementation of supportive policies and reforms by the regional institutions in the areas of foreign exchange regulations and monetary policy framework and to support an increase in regional net foreign assets, which are critical to the program's success."

INTERNATIONAL MONETARY FUND

CAMEROON

June 17, 2019

FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND MODIFICATION OF PERFORMANCE CRITERIA

KEY ISSUES

Context. Growth is estimated to have rebounded to 4 percent in 2018, supported by stronger-than-anticipated oil and gas production and Africa Cup of Nations (CAN) projects. The overall fiscal deficit declined by half to 2½ percent of GDP, and external buffers are being rebuilt. Public debt continues to increase, due to faster project disbursements.

Outlook and risks. Key short-term risks stem mostly from the regional and domestic security challenges, as well as political uncertainty ahead of the Fall legislative, regional, and municipal elections. The medium-term outlook remains positive, driven by the completion of CAN projects and the coming on stream of transport and energy projects.

Program status. Program implementation has improved from a year ago but challenges remain. All but two quantitative performance criteria were met with large margins. The continuous PC on external arrears accumulation was temporarily breached starting in January, but the arrears were repaid in full in April. The net BEAC financing of the government PC was missed by ½ percent of GDP owing to cash management difficulties. Structural reforms are advancing, albeit with delays.

Key policy recommendations.

- Press on with fiscal consolidation, supported by reductions in tax exemptions, enhancements in tax and customs administration, and greater investment efficiency.
- Continue to enhance fiscal discipline, by reducing resort to exceptional spending procedures, and resolutely addressing cash management challenges.
- Maintain debt sustainability by carefully prioritizing foreign-financed investment and reducing fiscal risks from SOEs.
- Continue to support the regional reform strategy through strict implementation of the new foreign exchange regulation.
- Improve governance and the business environment to support private sector development and economic diversification, including by accelerating financial sector reforms and enhancing compliance with EITI and AML/CFT standards.

Staff views. Staff supports the authorities' requests for completion of the fourth review, waivers of non-observance of performance criteria and modification of performance criteria. Upon completion of the review, a disbursement of SDR 55.2 million (20 percent of quota) will be made available, for a cumulative amount of SDR 372.6 million or 135 percent of quota.

Approved By
David Owen and Martin Sommer

Discussions took place in Yaoundé during April 23-May 3, 2019. The staff team comprised Ms. Deléchat (head), Messrs. Barry, Tintchev, and Nsengiyumva (all AFR), Ms. Schauer (SPR), Messrs. Portier (MCM), and Sow (FAD). The team was supported by Mr. Tchakoté (local economist), and Ms. Canales, Ibrahim and Synak. Staff of the African Development Bank, the CEMAC Commission, and the World Bank attended some of the policy meetings.

CONTENTS

ANNEXES

APPENDIX

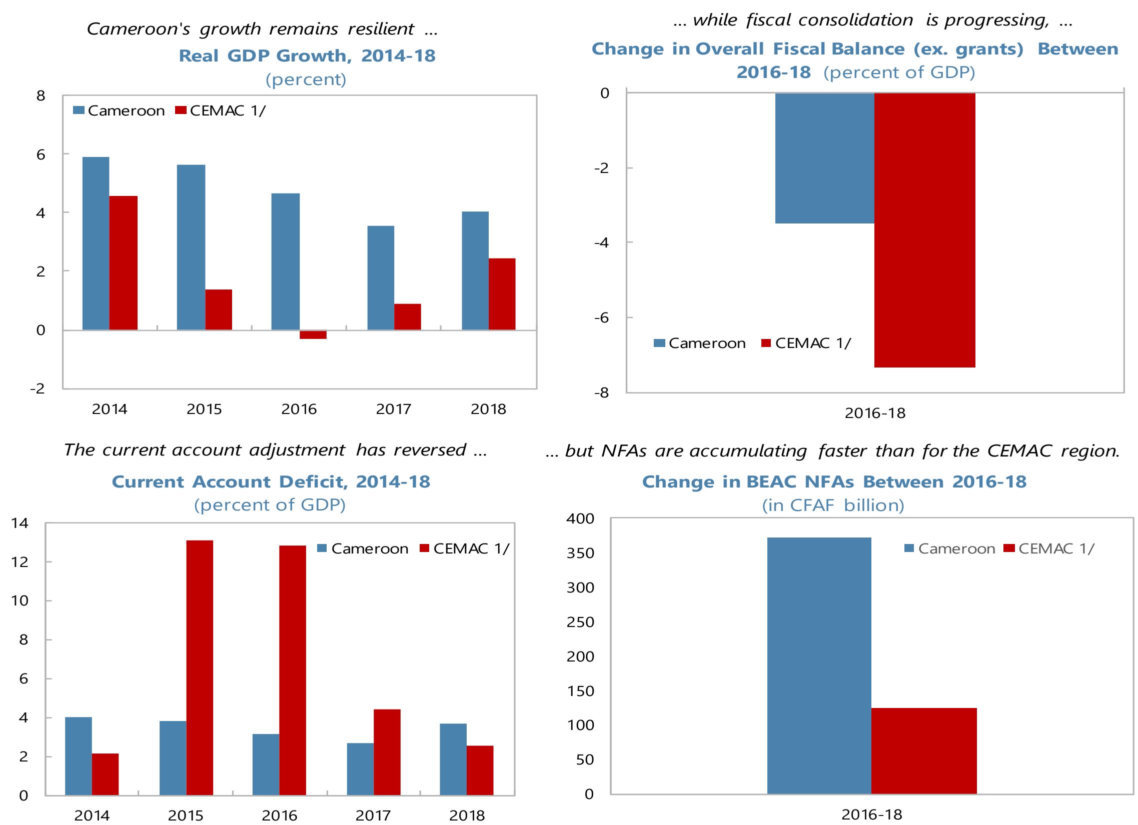
Glossary

BEAC	Regional Central Bank (*Banque des États de l'Afrique Centrale*)
CEMAC	Central African Economic and Monetary Community (*Communauté Économique et Monétaire de l'Afrique Centrale*)
CFA	Central African Financial Cooperation (*Coopération Financière en Afrique Centrale*)
CNDP	National Public Debt Committee (*Comité National de la Dette Publique*)
COBAC	Regional Supervisory Body (*Commission Bancaire de l'Afrique Centrale*)
CSPH	Hydrocarbon Prices' Stabilization Fund (*Caisse de Stabilisation des Prix des Hydrocarbures*)
DGD	Directorate General of Customs (*Direction Générale des Douanes*)
DGI	Directorate General of Taxes (*Direction Générale des Impôts*)
DSA	Debt Sustainability Analysis
EITI	Extractive Industries Transparency Initiative
EPA	European Partnership Agreement
FSAP	Financial Sector Assessment Program
GESP	Growth and Employment Strategy Paper
GFSM 2001	Government Financial Statistics Manual of 2001
MFI	Micro-Finance Institution
MTBF	Medium Term Budgetary Framework
MTEF	Medium Term Expenditure Framework
NOPD	Non-Oil Primary Deficit
NPL	Nonperforming Loan
PFM	Public Financial Management
PIMA	Public Investment Management Assessment
REER	Real Effective Exchange Rate
SME	Small and Medium-Size Enterprise
SOE	State-Owned Enterprise
SNH	National Hydrocarbons Company (*Société Nationale des Hydrocarbures*)
SONARA	National Oil Refinery (*Société Nationale de Raffinage*)
SSA	Sub-Saharan Africa(n)
VAT	Value-Added Tax
WEO	World Economic Outlook

BACKGROUND AND RECENT DEVELOPMENTS

1. Cameroon continues to play a leading role in implementing the CEMAC's regional strategy. Growth in Cameroon has remained resilient. The non-oil primary balance has improved by 3.6 percent of GDP since 2016, supported by higher non-oil revenue and spending consolidation. Cameroon is also significantly contributing to the buildup of CEMAC external buffers, owing to enhanced repatriation of foreign exchange by commercial banks. Going forward, full implementation of the agreed fiscal consolidation path by the four countries already with Fund-supported programs and the conclusion of program discussions with Congo and Equatorial Guinea would support a further recovery in BEAC NFAs to about 3.3 months of imports at end-2019 (from 2.3 months at end-2016).

Text Figure 1. Cameroon: Contributions to the Regional Adjustment, 2014–18



Sources: CEMAC authorities; BEAC; and IMF staff calculations.
1/ CEMAC includes Cameroon.

2. The security conditions continue to deteriorate. Attacks by Boko Haram in the North continue and the crisis in the North-West and South-West anglophone regions is worsening. Humanitarian and economic costs are rising. The UN Security Council held an informal meeting on

May 13 to advocate for increasing humanitarian aid for internally-displaced populations and call for the respect of human and international rights by all parties to the conflict. The UN estimates that 2.3 million people in Cameroon need humanitarian assistance, of which 1.3 million in the two anglophone regions. Disruptions to food production are affecting prices, and the quasi-halt in economic activity in those regions is hitting small and larger companies, with an impact on overall tax collection (which declined in Q1 2019 compared with Q1 2018). Ensuring safe and free legislative, regional and municipal elections in the Fall 2019 could add to already-rising security costs.

3. **Growth rebounded in 2018.** Real GDP growth is estimated to have reached 4 percent, from 3½ percent in 2017 due to a lower-than-anticipated contraction in oil and gas production. Non-oil sector growth remained resilient at 4.4 percent, supported by an acceleration of CAN-related construction projects, strong external demand for forestry products, and expanding financial services. Inflation remains low, but has been trending up, reaching 2.6 percent in March 2019 (y/y) due to higher food prices in crisis-affected anglophone regions and a weaker euro/U.S. dollar rate (MEFP ¶2, Table 1, Figure 1).

4. **Fiscal consolidation continued.** The overall fiscal deficit narrowed to 2.5 percent of GDP (4.9 percent of GDP in 2017), slightly above projections, as strong non-oil revenue only partly offset overruns in capital spending (MEFP ¶13, Text Table 1, Tables 2 a-b, Figure 2).

- *Non-oil revenue overperformed by 0.5 percent of GDP,* mainly driven by (i) an expansion of the tax base including through better taxpayer segmentation, (ii) strong recovery of tax arrears, and (iii) exceptional customs VAT receipts linked to imports of refined fuel products during the nine-month shutdown of the state-owned oil refinery SONARA.
- *Spending exceeded budgetary allocations, particularly on investment*, resulting in 1.1 percent of GDP in uncategorized spending at end-February (end of the budget complementary period).
- *The cash deficit was smaller than projected* owing to a larger accumulation of expenditure floats at the end of the year.

Text Table 1. Cameroon: 2018 Fiscal Outturn (percent of GDP)

	Prog. 3rd rev.	Actual	Deviation
Revenue and grants	**15.6**	**16.1**	**0.6**
Oil revenue	*2.2*	*2.3*	*0.1*
Non-oil revenue	*12.9*	*13.4*	*0.5*
Spending	**17.9**	**18.6**	**0.8**
Current spending	11.6	11.6	0.0
Capital spending	6.0	6.9	0.9
of which foreign financed	3.5	3.5	*0.0*
Overall deficit (payment order basis)	**-2.3**	**-2.5**	**-0.2**
Reduction of arrears and floats	***-1.0***	***-0.4***	***0.6***
Arrears	-0.4	-0.6	-0.2
Other arrears		-0.4	
Floats	-0.5	0.6	1.1
Unexecuted payment orders	***-0.5***	***-0.4***	***0.0***
Cash deficit	**-3.7**	**-3.3**	**0.4**
Financing	**3.7**	**3.3**	**-0.4**
External financing	***3.7***	***3.9***	***0.2***
of which budget support loans	*1.3*	*0.0*	*-1.3*
Domestic financing	***0.0***	***-0.5***	***-0.6***
Banking System	0.5	1.4	0.9
BEAC net	-0.1	0.8	0.9
of Which: government deposits	*-0.4*	*0.5*	*0.9*
statutory advances	*0.0*	*0.0*	*0.0*
IMF net	*0.3*	*0.4*	*0.0*
Commercial banks	0.6	0.5	0.0
Non-bank financing	-0.5	-1.9	-1.4
of Which: amortization of domestic debts	*-0.2*	*-0.3*	*-0.1*
correspondent accounts (net) 1/	*-0.4*	*-1.8*	*-1.4*
Non-Oil primary balance target (in CFAF billion)	**-872.0**	**-837.2**	**34.8**

Sources: Cameroonian authorities; and IMF staff calculations.
1/ this excludes the payment for the unexecuted payment orders.

- *An excess of domestic bank financing was more than compensated by drawdowns in non-bank financing*. Abundant domestic bank financing, including a November 2018 CFAF 200 billion issuance in medium-term bonds, was more than offset by payments made on below-the-line correspondent accounts and other government liabilities.[1] A reduction in government deposits at the BEAC helped finance the additional cash payments.
- The preliminary Q1-2019 outturn shows a shortfall in non-oil revenue collection and slower-than-programmed execution of current and capital spending, resulting in an overall fiscal surplus of 0.7 percent of GDP, against a projected deficit of 0.3 percent of GDP.

5. The current account deficit is estimated to have widened to 3.7 percent of GDP in 2018 from 2.7 percent of GDP in 2017. The trade balance worsened significantly as the shutdown of SONARA raised mineral products' imports and disruptions of production in the anglophone regions weakened agricultural exports. However, banks' increased repatriation of foreign currency assets induced by stricter enforcement of the foreign exchange regulations led BEAC's NFA accumulation to exceed 3rd review projections by CFAF 158 billion at end-2018. In addition, BEAC NFAs increased by another CFAF 48 billion in Q1-2019, and banks' foreign assets slightly declined, resulting in a CFAF 35 billion build-up in total NFAs in Q1 2019 (MEFP ¶4, Figure 3, Table 3).

6. The growth of monetary aggregates accelerated in 2018 as a counterpart to the net foreign assets accumulation. Broad money and deposits' growth nearly doubled to just under 10 percent in 2018. Credit to the economy accelerated to reach an annual growth of 7.2 percent. Broad money and credit to the economy declined in Q1-2019 due to slower economic activity (MEFP ¶5, Figure 4, Table 4).

7. The debt-to-GDP ratio increased further in 2018 and the risk of debt distress remains high (Text Table 2, Text Figure 2, Table 1). Total public debt increased to 39.3 percent of GDP at end-2018

Text Table 2. Cameroon: Public and Publicly-Guaranteed Debt; External Debt Service, 2016–2018

	Dec-16	Dec-17	Dec-18 (Est.)
	percent of GDP	percent of GDP	percent of GDP
Public debt contracted and disbursed	**26.3**	**30.2**	**33.8**
External debt	20.5	22.8	26.3
Domestic debt	5.5	7.1	7.3
Publicly-guaranteed debt	0.3	0.3	0.2
SONARA debt	**2.4**	**2.6**	**2.8**
o/w external	1.5	1.9	2.1
Unpaid government obligations (float and arrears)	**4.1**	**4.7**	**2.7**
External claims to SOEs (ex-SONARA)	**0.0**	**0.0**	**0.0**
Total public debt	**32.8**	**37.6**	**39.3**
Domestic	10.4	12.6	10.7
External	22.4	24.9	28.7
Memo:			
Stock of contracted but undisbursed debt	*19.9*	*21.7*	*18.9*
Domestic	1.3	0.8	0.8
External	18.5	20.9	18.1

Sources: Cameroonian authorities, and IMF staff calculations.

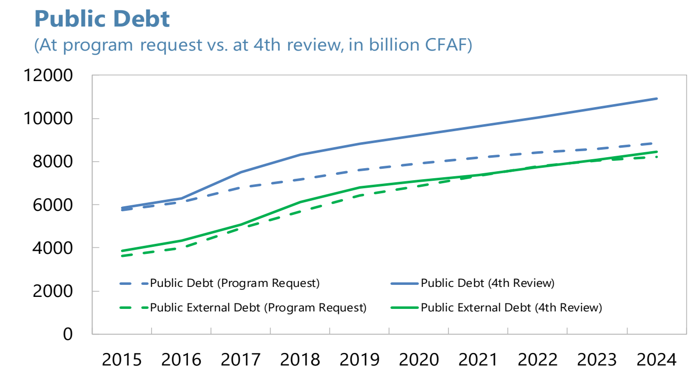
	2017	2018 (est.)	2019 (proj.)
Total	**270.5**	**361.4**	**540.5**
Amortization	134.5	210.4	380.6
to China	*30.0*	*90.3*	*134.5*
Interest	136.0	151.0	160.0
to China	*46.9*	*62.3*	*28.4*

Note: Does not include SONARA debt service. Debt service to China includes official and commercial debt service.
Sources: Cameroonian authorities; IMF staff calculation.

[1] Correspondant accounts are treasury subaccounts intended to manage the resources of autonomous public entities and municipalities. However, they have also been diverted to include unused budgetary allocations for investment projects (e.g. Triennial Emergency Plan-PLANUT, some CAN projects). These accounts are being gradually closed but still received large payments at end-2018 (also see Annex III of Country Report 18/09). Other public liabilities that were paid consisted in unbudgeted government obligations (including transfers to public enterprises).

(36.9 percent of GDP in 2017) mostly due to valuation effects and faster project implementation. External debt service also rose to CFAF 361 billion, most of which is owed to China. However, new borrowing remained well below program limits in 2018, which helped reduce the backlog of contracted-but-undisbursed loans (SENDs) to 18.9 percent of GDP at end-2018 (including 0.5 percent of GDP in cancellations of already-finalized projects).

Text Figure 2. Cameroon: Public Debt, 2015–2024



Note: First year of projections at program request was 2016 and is 2019 for the 4th review. The observed increase from 2016 to 2018 in actual data is mainly due to primary deficits, interest payments and consolidation of BEAC statutory advances. The higher 2018 debt mainly reflects the inclusion of all SONARA's debt.
Sources: Cameroonian authorities; and IMF staff calculations.

PROGRAM PERFORMANCE

8. **Program performance improved from a year ago but challenges remain** (MEFP ¶6–7).

- *All but two performance criteria (PCs) were met with large margins*. The ceiling on net BEAC financing was missed by 0.5 percent of GDP. The continuous PC on external arrears accumulation was breached at end-January as the authorities intended to include debt service due to Eximbank China in the rescheduling package being negotiated. However, these arrears (CFAF 52 billion) were repaid in April. All indicative targets (ITs) were met, except the indicative ceiling on SNH interventions (exceeded by 0.2 percent of GDP, MEFP-Table 1). Performance on end-March ITs weakened as end-2018 fiscal outcomes, slower spending and economic activities affected some targets.
- *Five out of 11 structural benchmarks (SBs) due by end-May were completed on time and three were implemented with delay* (Table 6b). The SBs on fiscal policy and public financial management were met as well as two measures on the regular payment of utility bills and the creation of a movable collateral registry. The training of commercial court judges that started only in January (end-December SB) was completed at end-March and the SBs on the state hydrocarbons company (SNH) data reconciliation (January SB) and on the SENDs disbursement plan (March SB) were completed in May. However, the end-March SBs on recording existing movable collateral and on deciding on the business model of the SME bank were missed and are likely to be completed only in July and September, respectively, supported by technical assistance.

POLICY DISCUSSIONS

A. Outlook and Risks

9. **The short-term economic outlook is muted as the security challenges weigh on non-oil activity.** Growth is projected to slightly increase to 4.2 percent in 2019, mainly driven by increased

oil and gas production. The postponement of Cameroon's hosting of the CAN from 2019 to 2021 and the crisis in anglophone regions weigh on the non-oil sector outlook, where growth is projected to slightly decline relative to 2018. The completion of CAN projects and new transport and energy projects would gradually boost growth to about 5-5 ½ percent in the medium term. Fiscal consolidation is expected to continue through 2020, when the regional convergence criterion on the reference fiscal balance of 1 ½ percent of GDP would be met. The current account is projected to stabilize at around 3 percent of GDP as imports normalize and an increase in non-oil exports offsets the decline in crude oil exports (MEFP ¶8-9, Text Table 3).

Text Table 3. Cameroon: Medium-Term Outlook, 2016–24

	2016	2017	2018		2019		2020	2021	2022	2023	2024
	Actual	Est.	*CR 18/378*	Est.	*CR 18/378*	Proj.			Proj.		
Real GDP	4.6	3.5	*3.8*	4.0	*4.4*	4.2	4.5	4.8	5.0	5.3	5.5
Inflation (period average)	0.9	0.6	*0.9*	1.1	*1.2*	2.1	2.2	2.1	2.0	2.0	2.0
Current account balance (percent of GDP)	-3.2	-2.7	*-3.6*	-3.7	*-3.1*	-3.4	-3.3	-3.2	-3.2	-3.0	-3.0
Overall fiscal balance (payment order basis, incl. grants)	-6.1	-5.1	*-2.4*	-2.5	*-2.0*	-2.0	-1.5	-1.5	-1.5	-1.5	-1.5
CEMAC reference balance (payment order basis, incl. grants)	-5.4	-4.3	*-2.7*	-3.0	*-2.3*	-2.6	-1.8	-1.5	-1.5	-1.4	-1.4
Non-oil primary balance(payment order basis, percent of non-oil GDP)	-7.6	-6.1	*-3.9*	-4.1	*-3.2*	-3.5	-2.6	-2.4	-2.2	-2.0	-1.8
Public debt 1/ 2/	32.8	37.6	*36.9*	39.3	*36.7*	39.5	39.0	38.3	37.4	36.5	35.4

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

1/ Includes the cumulative financing gap.

2/ Projections are taken from an updated Debt Sustainability Analysis (DSA), which excludes the stock of debt on which France provided debt relief under the "Contrat de desendettement et de developpment" (C2D).

10. External and domestic risks could affect the outlook. External risks mainly include uncertainty from international trade tensions and decelerating growth in China, continued volatility in commodity prices, delays in the CEMAC's regional adjustment, and persisting regional security tensions, which could weigh on growth. Domestically, a further deterioration of the socio-political climate ahead of the Fall legislative, regional, and municipal elections could negatively impact growth and inflation, and derail fiscal consolidation and reform implementation. Sustained higher oil prices and the conclusion of IMF programs with Congo and Equatorial Guinea would help mitigate external risks. Domestically, dynamic construction, forestry and financial services could help support non-oil activity (MEFP ¶10, Table 6).

11. The authorities broadly agreed with staff's assessment of the growth outlook and highlighted factors that could tilt the projections to the upside. They noted that the integration of the Cameroonian economy into the global value chains, particularly through the development of local raw materials, and the relocation of some agro-industrial activities to more secure locations should support higher growth (MEFP ¶8).

B. Fiscal Policy: Maintaining Fiscal Discipline and Rebuilding Buffers

12. The 2019 budget has been revised to better account for the 2018 outturn, while maintaining the fiscal consolidation path broadly unchanged. The revised 2019 budget maintains the program's overall deficit at 2 percent of GDP but with a slightly higher non-oil primary

balance (by 0.3 percent of GDP). Revisions to the composition of revenue and spending take into account: the one-off nature of some of the non-oil revenue collected in 2018 and the weakness in non-oil revenue mobilization in Q1 2019, higher oil production (at unchanged prices), a re-prioritization of current expenditure to fully provision for fiscal risks arising from fuel subsidies, election-related spending and SNH direct spending and an increase in investment spending (by 0.7 percent of GDP) to accommodate faster execution of foreign-financed investment (Text Table 4, MEFP ¶11-12). The authorities agreed to identify contingency measures should additional risks materialize, including: (i) enhanced controls and audits of taxpayers at risk of underreporting on their tax returns, improved collection of tax arrears, and better control of exemptions particularly at customs; (ii) further reduction of non-priority goods and services expenditures, and greater control over the rate of budget commitments (MEFP ¶15). Staff also advised the authorities to save any revenue overperformance from higher oil prices.

Text Table 4. Cameroon: Changes to the 2019 Budget

(In Percent of GDP, unless otherwise indicated)

	2017	2018		2019			Adjustment 2019		
	Est.	Prog.	Est.	Budg.	Prog.	Rev. prog.	Rev. prog. *vs* . Est.	Rev. prog. *vs* . Budg.	Note
	(1)	(2)	(3)	(4)	(5)	(6)	(6) - (3)	(6) - (5)	
Total revenue and grants	**15.0**	**15.5**	**16.1**	**15.6**	**15.5**	**16.2**	**0.1**	**0.6**	Oil revenue projections were revised upward to incorporate higher production of oil and gas. Also, the revised non-oil revenue projections take into account the 2018 performance and new tax policy and administrative measures totaling 0.1 percent of GDP (compared to 2018) and 0.3 percent of GDP (compared to the initial budget).
Oil sector revenue	1.9	2.2	2.3	2.0	2.0	2.2	-0.1	0.2	
Non-oil sector revenue	**12.7**	**12.9**	**13.4**	**13.2**	**13.2**	**13.5**	**0.1**	**0.3**	
Total grants	0.3	0.3	0.4	0.4	0.3	0.4	0.0	0.1	
Total expenditure	**19.8**	**17.9**	**18.7**	**17.6**	**17.4**	**18.2**	**-0.4**	**0.6**	
Current expenditure	**11.2**	**11.8**	**11.6**	**11.8**	**11.7**	**11.8**	**0.2**	**0.0**	Current expenditures rise by 0.2 percent of GDP compared to 2018, but remain unchanged compared to 2019 initial budget. Wages and salaries are slightly revised down incorporating the saving of the civil servant audit. Goods and services are reduced due to larger savings on non-priority spending than the additional security and election spending. And transfers are revised up to fully account for fuel subsidies to SONARA.
Wages and salaries	5.0	4.7	4.7	4.6	4.6	4.6	-0.1	-0.1	
Goods and services	3.7	3.8	3.4	3.9	3.9	3.6	0.1	-0.4	
Subsidies and transfers	1.8	2.4	2.6	2.3	2.3	2.7	0.2	0.4	
Interest	0.9	0.8	0.9	0.9	0.9	0.9	0.0	0.0	
Capital expenditure	**8.6**	**6.0**	**6.9**	**5.9**	**5.9**	**6.6**	**-0.3**	**0.7**	Capital spending, in particular foreign-financed capital spending are revised up by 0.7 percent of GDP compared to the initial budget to allow for continued execution of investment projects and the clearing of the SENDs.
o/w Domestically financed investment	4.8	2.6	3.4	3.2	3.1	3.1	-0.3	0.0	
o/w Foreign-financed investment	3.8	3.5	3.5	2.7	2.7	3.4	-0.1	0.7	
Net lending	0.0	0.1	0.1	-0.1	-0.1	-0.1	-0.3	0.0	
Overall balance (payment order basis, incl. gran	**-4.9**	**-2.4**	**-2.5**	**-2.0**	**-2.0**	**-2.0**	**0.5**	**0.0**	
Adjustment to cash basis	0.4	-1.4	-0.8	-0.5	-0.5	-1.1	-0.3	-0.3	
Unexecuted payment orders (-=reduction)	-0.5	-0.5	-0.4	0.0	0.0	0.0	0.4	0.0	
Unpaid government obligations	0.9	-1.0	-0.4	-0.5	-0.5	-1.1	-0.7	-0.3	
Float	1.6	-0.5	0.6	0.0	0.0	-0.4	-1.1	-0.4	
Arrears	-0.7	-0.4	-0.6	-0.5	-0.5	-0.3	0.3	0.1	
Other arrears 1/			-0.4			-0.3			
Overall balance (cash basis, incl. grants)	-4.5	-3.8	-3.3	-2.5	-2.4	-3.2	0.2	-0.7	
Memo items									
Unpaid government obligations (CFAF billions)	962.2	273.7	582.8	170.3	170.3	334.3			
Float	428.1	85.8	262.5	85.8	85.8	162.5			
Arrears 2/	281.7	187.8	146.3	84.4	84.4	73.3			
Other arrears 1/	252.5		174.0			98.5			

Sources: Cameroon authorities; and staff calculations.

1/ See footnote 3/ of Table 2a.

2/ In 2018, arrears mainly related to unfunded subsidies, transfers, and projects' counterpart funds were cancelled for about CFAF 301 billion.

13. Higher external financing (for an unchanged overall deficit) will provide space to rebuild government deposits at the BEAC and repay the expenditure float accumulated in 2018. Staff and the authorities agreed that the 2019 treasury plan should be revised to allow for rebuilding government deposits at the BEAC, while including a more realistic projection of prospective payments on below-the-line correspondent accounts and settlement of past unrecorded budgetary commitments. Sufficient provisions are also being made to clear CFAF 249 billion in expenditure float accumulated in 2018 and existing domestic arrears (Text Table 5, MEFP ¶12–13).

Text Table 5. Cameroon: 2019 Budget Domestic Financing Plan

in CFAF billion	2017	2018	H1-2019	2019
Governement's net domestic financing	***23.0***	***-211.8***	***95.7***	***74.4***
Banking System	***165.6***	***296.1***	***169.5***	***211.4***
BEAC net	140.2	185.6	41.0	8.1
of which: Government deposits 1/	-347.4	108.8	-12.5	-64.9
Stattutory advances	345.9	0.4	0.0	0.0
IMF net	*141.7*	76.4	41.0	73.0
Commercial banks net	25.4	110.6	128.5	203.3
Non-bank financing	***-142.6***	***-507.9***	***-73.8***	***-137.0***
of which: Amortization of domestic debts	*-35.6*	*-63.9*	*-28.9*	*-65.4*
Correspondent accounts (net)	*-113.3*	*-486.3*	*-16.2*	*-71.2*

Sources: Cameroonian authorities; and IMF staff calculations.

1/ Deposits accumulation in 2017 includes drawdown of CFAF 277 billion in statutory advances and deposited in an escrow account.

14. The authorities remain committed to maintaining the program consolidation path in 2020. The fiscal framework envisages a further reduction of the overall deficit to 1½ percent of GDP (in line with the CEMAC convergence criterion), supported by measures to expand the non-oil revenue base (see below), rationalize current spending while preserving social expenditures, and enhance investment efficiency (Text Table 6, MEFP ¶16–17). Nonetheless, fiscal targets could be adjusted on the basis of an updated DSA.

Text Table 6. Cameroon: Fiscal Framework, 2016–20
(Percent of GDP)

	2016	2017	2018 CR 18/378	2018 Est.	2019 CR 18/378	2019 Proj.	2020 Proj.
			(in percent of GDP)				
Total revenue and grants	**14.7**	**15.0**	***15.5***	**16.1**	***15.5***	**16.2**	**16.3**
Oil sector revenue	2.1	1.9	*2.2*	2.3	*2.0*	2.2	2.0
Non-oil sector revenue	12.3	12.7	*12.9*	13.4	*13.2*	13.5	13.8
Total grants	0.3	0.3	*0.3*	0.4	*0.3*	0.4	0.4
Total expenditure	**20.9**	**19.8**	***17.9***	**18.6**	***17.4***	**18.2**	**17.8**
Current expenditure	12.4	11.2	*11.8*	11.6	*11.7*	11.8	11.5
Wages and salaries	4.9	4.9	*4.7*	4.7	*4.6*	4.6	4.4
Goods and services	4.3	3.7	*3.8*	3.4	*3.9*	3.6	3.4
Subsidies and transfers	2.5	1.8	*2.4*	2.6	*2.3*	2.7	2.6
Interest	0.7	0.9	*0.8*	0.9	*0.9*	0.9	1.0
Capital expenditure	8.3	8.6	*6.0*	6.9	*5.9*	6.6	6.3
o/w Domestically financed investment	5.8	4.8	*2.6*	3.4	*3.1*	3.1	3.0
o/w Foreign-financed investment	2.5	3.8	*3.5*	3.5	*2.7*	3.4	3.3
Overall balance (payment order basis, incl. grants)	**-6.1**	**-4.9**	***-2.4***	**-2.5**	***-2.0***	**-2.0**	**-1.5**
CEMAC reference fiscal balance	**-5.4**	**-4.3**	***-2.7***	**-3.0**	***-2.3***	**-2.6**	**-1.8**
Overall balance (cash basis, incl. grants)	**-5.1**	**-4.5**	***-3.8***	**-3.3**	***-2.4***	**-3.1**	**-2.3**
Non-oil primary balance (payment order basis, incl. grants) 1/	**-7.5**	**-5.9**	***-3.8***	**-3.9**	***-3.1***	**-3.4**	**-2.5**
Non-oil primary balance (cash basis, incl. grants) 1/	**-6.4**	**-5.5**	***-5.2***	**-4.7**	***-3.5***	**-4.5**	**-3.3**
External financing, net	1.8	3.9	*2.4*	3.9	*1.1*	1.6	1.6
Domestic financing, net	3.0	0.6	*-0.4*	-0.5	*-0.4*	-0.1	0.6
Financing gap		**0.0**	***1.8***	**0.0**	***1.7***	**1.6**	**0.2**
o/w IMF			*0.4*		*0.4*	0.4	0.2
o/w budget support (excl. IMF)			*1.4*		*1.3*	1.2	0.0

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

1/ In percent of non-oil GDP.

15. The authorities reiterated their commitment to continue to support the CEMAC regional strategy, including full implementation of the planned fiscal consolidation. They welcomed staff's flexibility in accommodating larger foreign-financed investment, noting that this was central to maintaining Cameroon's role as the region's growth engine. On fuel subsidies, they emphasized that they have mandated the World Bank to conduct an in-depth study of the fuel price structure, to identify better targeted subsidies to the poor and vulnerable, and to support the preparation of a communication campaign to sensitize the public to the advantages of a move towards more flexible domestic fuel prices with adequate safety nets.

C. Strengthening Fiscal Governance: Pressing on with Structural Fiscal Reforms

16. The authorities and staff agreed on the need to press on with reforms to continue to expand the non-oil revenue base.

- *Tax exemptions remain high and should be resolutely tackled starting with the 2020 budget, while ensuring continued protection of the poor and vulnerable.* Total tax expenditures amounted to 3 percent of GDP in 2017, a third of which representing exemptions on basic consumption goods, but with the rest mostly consisting of exemptions to promote investment (2013 law) or exploration and investment in the oil and gas sector (Text Table 7). Staff highlighted the importance of eliminating remaining discretionary exemptions, and of narrowing the scope of the 2013 investment incentives law, among other measures.

Text Table 7. Cameroon: Tax Expenditures, 2017

	2017		
	Indirect taxes	Direct taxes	Total
Total	**397.2**	**208.5**	**605.7**
Facilitate access to essential goods[1]	192.1	0.0	192.1
Investment incentives	81.7	70.8	152.5
Promoting extractive industries	62.5	134.3	196.8
Others[2]	60.9	3.4	64.3
In percent of non-oil revenue	**15.3**	**8.1**	**23.4**
Facilitate access to essential goods[1]	7.4	0.0	7.4
Investment incentives	3.2	2.7	5.9
Promoting extractive industries	2.4	5.2	7.6
Others[2]	2.4	0.1	2.5
In percent of GDP	**2.0**	**1.0**	**3.0**
Facilitate access to essential goods[1]	0.9	0.0	0.9
Investment incentives	0.4	0.3	0.8
Promoting extractive industries	0.3	0.7	1.0
Others[2]	0.3	0.0	0.3
Memo items			
Non-oil revenue			*2,589.2*
Nominal GDP			*20,328.4*

Sources: Cameroon authorities and staff calculations.

[1] "Essential" goods include rice, flour, milk, fish, sugar, eggs, and other food products.

[2] The "Others" category includes tax expenditures on access to health services, promoting agro-pastoral production and local processing of woods, facilitating access to electricity, clean water and education, promoting the development of social housing and communication technologies, supporting the acquisition of new vehicles, compliance with international conventions, and discretionary exemptions among others.

- *VAT efficiency could be further improved.* Based on recent TA recommendations, staff recommended a VAT-gap analysis to identify remaining weaknesses in the VAT system. Staff and the authorities also agreed that raising the VAT threshold and simplifying small enterprises' taxation could help enhance VAT efficiency, in parallel with enhanced controls to address risks of under-declarations and to verify more systematically all VAT credit declarations (MEFP ¶20).

- *Tax and customs administration reforms to simplify and automatize payment procedures and cross-check declarations should continue.* Revenue administration measures have yielded about 0.4 percent of GDP in additional revenue over the past 2 years, with ample scope for further gains as many of the reforms are still ongoing. The authorities agreed and noted that they will

continue to reinforce coordination between the tax and customs administrations, improve the results of joint audits and controls, and ensure greater control of the customs valuation of imports and exports (MEFP ¶21).

17. Discipline in budget execution remains weak. Difficulties in closing the annual fiscal accounts during the complementary period persisted in early 2019, owing to continued resort to exceptional spending procedures (albeit to a lesser extent than in 2017), which led to budget overruns and caused revisions to end-2018 fiscal data extending through May 2019. The authorities agreed with the necessity to (i) continue to reduce exceptional spending procedures, from 9 percent of total non-interest expenditure in 2018 to 5 percent in 2019; and to ensure timely and consistent monthly reconciled reporting of SNH direct interventions by categories of expenditures (recurrent SB), while fully budgeting for these interventions; (ii) reduce the complementary period to one month; (iii) strengthen the public financial reporting system to make fiscal data comprehensive, reliable, and timely (MEFP ¶14,18, and 19).

18. Cash management ought to be further strengthened. Lack of transparency in correspondent accounts' movements remains a concern, as some of these accounts continue to be used to execute previously-committed investment projects, but without following regular budget procedures. This, combined with unplanned payments of previously-unrecorded government obligations (unpaid utility bills, subsidies, tax arrears of government entities, and other obligations representing "floating" domestic debt) significantly complicates cash management. At the same time, public agencies and entities' (excluding public enterprises and project-related funds) deposits in commercial banks amounted to 1.3 percent of GDP as of mid-2018, including 0.2 percent of GDP in idle resources. Going forward, the authorities committed to (i) continue to reduce correspondent accounts balances; (ii) better track and reduce floating domestic debt including by fully provisioning for recurrent expenses in future budgets; and (iii) vigorously pursue measures towards full implementation of a Single Treasury Account, though the full reform is likely to require more time than initially envisaged (September SB proposed to be reformulated, MEFP ¶19, Annex II).

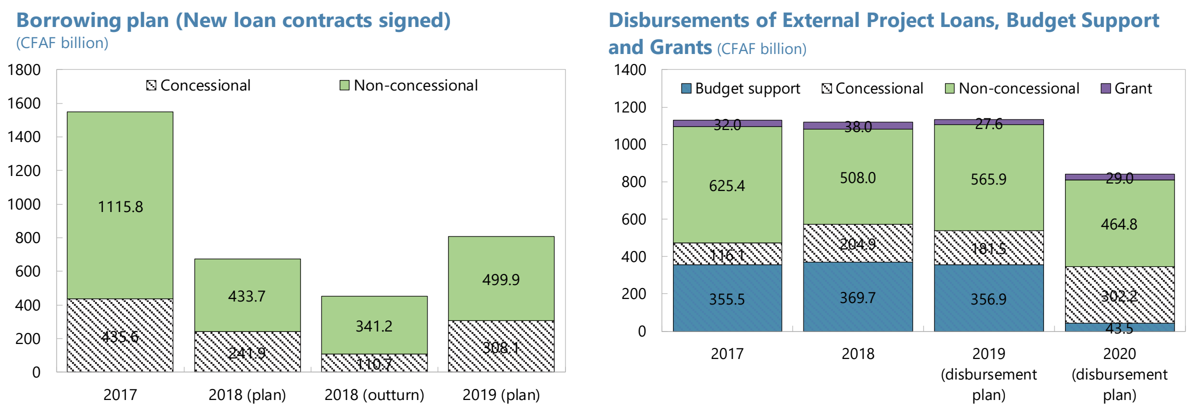
D. Debt Policies: Maintaining Debt Sustainability and Controlling Risks from Contingent Liabilities

Maintaining Debt Sustainability

19. Public debt is projected to stabilize in 2019 and start declining in 2020, but potential debt service rescheduling could affect the trajectory. Baseline projections incorporate a permanent increase in foreign-financed investment over the medium term compared to the 3rd review, reflecting enhanced implementation capacity and the need to complete key infrastructure projects. In addition, to alleviate the rising debt service burden and account for project delays, China announced debt relief of CFAF 35 billion (0.2 percent of GDP) for interest-free loans and there are ongoing discussions for a rescheduling of principal payments to China of about 0.7 percent of GDP due over the next three years. This could lower debt service payments from 2019–21 compared to the baseline but would lower the pace of debt reduction (MEFP ¶23 and 25).

20. Staff welcomed the SENDs disbursement plan and planned measures to enhance investment efficiency. The authorities finalized in May a disbursement plan for SENDs for 2019–20 in line with the program's fiscal objectives (March 2019 SB). The disbursement plan was formulated at the project level and in consultation with development partners and project managers ensuring realistic projections and prioritization of projects. While non-concessional disbursements are set to increase in 2019, as ongoing CAN projects are being completed, they will decline significantly thereafter reflecting the authorities' shift towards concessional financing. In addition, the authorities committed to enhance investment efficiency by implementing the recent decree on project maturation, and by defining standardized mandates for project managers and linking their remuneration to the quality of project management (new proposed SB, MEFP ¶19).

Text Figure 3. Cameroon: New Borrowing and Disbursements



21. In light of the faster-than-projected increase in disbursements, staff and the authorities agreed to contain the pace of new non-concessional borrowing and to continue to enhance debt management. The authorities agreed to keep the CFA 500 billion ceiling for new non-concessional borrowing unchanged (effectively lowering the cumulative 2018–19 new borrowing). The 2019 borrowing plan has been revised to include some priority projects not signed in 2018 as well as a recently-signed loan by SONARA[2] and reflects projects integral to the authorities' development program for which concessional financing is not available. Nonetheless, staff pointed out that the terms of the SONARA loan are not favorable, with high interest rates and repayments linked to future sales of SONARA's oil products, and regretted that it had been signed without seeking improved terms as recommended by the National Public Debt Committee (CNDP). Staff urged the authorities to further prioritize concessional projects that foster inclusive and sustainable growth, together with planned reforms to enhance investment efficiency, noting that

[2] The oil refinery SONARA signed a US$160 million loan with a foreign oil products' trading company at end-April, partly to refinance 2013 supplier debt to alleviate operational costs and to continue to modernize and expand SONARA's production capacity. The CNDP had issued a conditional approval of the loan proposal at its February 2019 meeting based on the project's contribution to reducing fiscal risks from SONARA, subject to inclusion in the 2019 borrowing plan and negotiation of more favorable financing terms.

both reforms could yield significant payoffs including higher growth and private investment even at constant public investment levels (Text Figure 3, Annex III).

22. The authorities agreed with staff's recommendation to limit non-concessional borrowing and prioritize key concessional projects. They noted that, starting in 2020, the share of disbursements on concessionally-financed projects would increase. Regarding new borrowing, they indicated that they would take advantage in particular of the expanded IDA allocation and also increase the share of concessional borrowing. Going forward, the authorities agreed to refrain from collateralized borrowing, and noted that they would strengthen CNDP procedures to require unconditional CNDP approval for all new borrowing (MEFP ¶27).

Controlling Risks from Contingent Liabilities

23. The authorities are enhancing the monitoring and management of public enterprises to limit budgetary risks and contingent liabilities. Staff welcomed the authorities' commitment to accelerate implementation of the 2017 SOEs legal framework. The financial situation of SOEs remains difficult and staff encouraged the authorities to complete by end-2019, full diagnostic studies of four key SOEs (CAMTEL, CAMWATER, CAMAIR-CO, and the Douala Port)[3] to help identify strategies for restoring their financial viability and limit fiscal risks (new proposed SB, MEFP ¶26). The authorities also plan to revise the legal framework for PPPs to ensure that project selection follows the government's project maturity guidelines and that all prospective PPPs are assessed by the CNDP (MEFP ¶26).

E. Monetary and Financial Sector Policies: Accelerating Reforms

24. The authorities will continue to implement measures to support the BEAC's efforts to enhance repatriation of foreign exchange (FX) receipts. FX repatriation has already improved, reaching CFAF 184 billion at end-December 2018 (CFAF 7 billion in 2017) and CFAF 664 billion in Q1-2019. Nonetheless, for Q1-2019 only 26 percent of banks' transfer requests had been met, highlighting continuing lags in the BEAC's FX allocation process. A committee composed of customs, the treasury and the National Credit Council (CNC) has been created to enforce domestic bank domiciliation of trade operations, and an IT platform for information exchanges is being developed. The authorities are in the process of identifying foreign accounts held by public entities abroad (to be completed by end-July) with a view to surrender remaining balances to the BEAC before end-December 2019.[4] The authorities also agreed to share with the BEAC all existing contracts in the extractive industry by end-September 2019 (new SB, MEFP ¶29), along with other supporting measures. In that regard, staff noted that the petroleum code approved by parliament in April (which would apply to all new contracts) allowed significant exceptions to the new FX regulations contrary to the BEAC's policy stance, and urged the authorities to work with the BEAC to

[3] The studies for CAMTEL and the Port will be supported by the World Bank.

[4] The forward-looking NFA projection for Cameroon does not assume at this stage the potential positive impact of greater efforts to repatriate funds held abroad by public entities.

ensure that the required implementing regulations fully align future practice with the regional rules (MEFP ¶29).

25. Overall, banks remain liquid, profitable and adequately-capitalized, albeit with a lot of heterogeneity and worsening asset quality. The average capital adequacy ratio was 11 percent at end-March 2019 (regulatory minimum 8.5 percent), lower than the CEMAC average (17.4 percent) with three banks having negative capital and the third-largest bank having insufficient capital.[5] The overall banking system liquidity ratio has increased to 187 percent at end-March 2019 (160 percent at end-2018) but remains highly concentrated in foreign banks. All banks except one are profitable. However, similar to other CEMAC countries, overdue loans increased to 16 percent of total loans at end-March 2019 (15 percent at end-2018) due to weak economic activity and public sector payment delays (government, projects, and SOEs). Nonetheless, average provisions for NPLs remained high at around 90 percent.

26. Financial sector reforms are progressing, albeit with continuing delays. The completion of the training of commercial court judges was somewhat delayed but highly successful, as 20 trainees are now deployed in commercial chambers and banking litigation cases are being redirected to them. The movable collateral register was officially launched on May 23 and banks have a legal deadline to complete on-line collateral registration by end-July. 2019. The government will update the NPL reduction plan with the Banking Association and the Ministry of Justice both expected to play a bigger role going forward. Key laws to improve credit provision including the legal framework for commercial courts are being finalized and will be sent to parliament by end-August with the implementation decrees finalized by end-2019 (MEFP ¶31).

27. The authorities agreed to resolve the two private ailing banks at least fiscal cost and to improve the business model of the SME-bank (MEFP ¶30)**.**

- *The ailing banks' resolution options* prepared based on the TA recommendations have been submitted to the COBAC who required an approved resolution plan to quickly resolve these banks. A time-bound resolution plan minimizing fiscal costs agreed with the shareholders and the IMF is to be submitted to the COBAC by end-July and approved by the government by end-October 2019 (August 2019 SB, proposed to be reset).
- *The adoption of a new business model for the SME bank* was delayed to end-September 2019 to allow for the finalization of a supporting study on SME financing needs and a technical assistance by the World Bank on a viable business model (March 2019 SB, proposed to be reset).

F. Enhancing Governance and the Business Climate

28. Staff welcomed the authorities' continued efforts to enhance the business environment. Cameroon's score in the 2019 Doing Business Report improved slightly due to reforms that (i) streamlined procedures, notably application requirements for starting a business; (ii) introduced one-stop electronic application systems for dealing with construction permits and

[5] Two of these banks are in the process of being capitalized by their shareholders and a resolution plan is being considered for the other two.

getting electricity; (iii) lowered transfer fees for registering property, and (iv) facilitated contract enforcement, by passing a new law on mediation. Program measures to continue to improve contract enforcement, increase the number of computerized transactions including electronic tax payments, facilitate trade and enhance governance at customs will further increase access to credit and private investment (MEFP ¶32).

29. The authorities are taking steps to enhance compliance with the Extractive Industries Transparency Initiative (EITI), and AML/CFT international standards. The authorities are addressing the EITI's recommendations for corrective actions, including through the recent publication of Cameroon's 2016 EITI report. A second EITI validation round will be conducted by end-2019 to evaluate Cameroon's level of compliance. Regarding AML/CFT, a national risk assessment was launched in November 2018 with World Bank support, and the COBAC has provided the terms of reference to revise the AML/CFT regulations to the World Bank. The authorities also agreed to better mobilize the AML/CFT regime to boost anti-corruption efforts, notably by supporting the actions of the National Financial Information Agency (ANIF), and encouraging greater reporting of suspicious transactions by non-banks including notaries and lawyers. (MEFP ¶33). Nonetheless, implementation of the AML/CFT regime ought to be enhanced. In particular, the AML/CFT regime should also be mobilized to support anti-corruption efforts, notably by providing guidance on the implementation of preventive measures in relation to politically-exposed persons, effectively supervising high-risk sectors, and making the beneficial ownership information of legal entities accessible in a timely manner.

PROGRAM MODALITIES

30. Staff supports the authorities' request for a waiver of non-observance of one end-December 2018 and one continuous PC, proposals for modifications of end-June and end-September 2019 program conditionality, and new program conditionality through December 2019 (MEFP Tables 1 and 2).

- The PC on net BEAC financing was missed by a significant margin, and the authorities are requesting a waiver based on the following corrective actions: (i) some tightening in the government financing targets for 2019 to support a buildup of government deposits at the BEAC and a reduction in correspondent accounts balances, and (ii) three prior actions to enhance transparency and credibility of budget planning and execution. The breach of the continuous PC on the non-accumulation of external arrears has been corrected by the full repayment of these arrears in April 2019.
- The three prior actions for the fourth review have been mostly completed: (i) the ordinance revising 2019 budget in line with program objectives was signed by the President on May 29, 2019, and is awaiting transmission to parliament; (ii) the decree on the budget calendar reducing the complementary period to one month was signed on May 31, 2019; and (iii) the end-2018 budget execution report was published on June 6, 2019.

- Staff proposes to modify the end-June PCs on (i) the ceiling of disbursement of non-concessional loans, to accommodate higher projected disbursements in H1 2019 (for an unchanged annual limit); (ii) the net domestic financing of the government and the net government borrowing from the central bank targets to reflect the end-2018 fiscal and monetary outcomes, accommodate delayed budget support from the World Bank and France (CFAF 148 billion, shifted from H1 to Q3), and the projected buildup in government deposits; (iii) the non-oil primary balance, to reflect Q1 budget execution. Staff also proposes to modify the definition of the PC on non-concessional borrowing, and of the IT on net accumulation of domestic payment arrears, and to modify the end-June and end-September IT on non-oil revenue, as well as the end-September ITs on the floor on the non-oil primary balance, net domestic financing of the government and net borrowing of the central government from the central bank, in line with revised June targets.
- The missed SBs on transferring the Hydrocarbon Prices' Stabilization Fund's (CSPH) cash surpluses to the Treasury, and deciding the business model of the SME bank are proposed to be reset at end-August, and end-September respectively. The end-September SB on the TSA is proposed to be modified.
- Quantitative and continuous PCs and ITs are proposed for end-December 2019 as well four new SBs to advance fuel subsidy reforms, enhance investment efficiency, strengthen SOEs viability, and foster compliance to the new foreign exchange regulation.
- The SB on the monthly monitoring report of disbursement requests and actual disbursements is regularly met and staff proposes to move it to the TMU data requirements.

31. The 2019 program ceiling on contracting of new non-concessional external debt borrowing is set for projects integral to national development (MEFP ¶24). Given Cameroon's high risk of debt distress, the ceiling on non-concessional loans is set on an exceptional basis at CFAF 500 billion for 2019. Therefore, the authorities have identified a list of key projects critical for national development, where concessional loans are not available. The authorities are committed to contract no loans other than those included in the key projects list. This list may be revised at the time of the fifth review taking account of the progress in project implementation or loan negotiations (Text Table 8).

Text Table 8. Cameroon: Projected Contracting of External Debt, 2019

Public and publicly-guaranteed external debt	Volume of new external debt in 2019		Estimated PV of new debt [1/]	
	CFAF billion	Percent	CFAF billion	Percent
By sources of debt financing	**808.0**	**100.0**	**641.9**	**100.0**
Concessional debt, of which	**308.1**	**38.1**	**191.4**	**29.8**
Multilateral debt	308.1	38.1	191.4	29.8
Bilateral debt	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Non-concessional debt, of which	**499.9**	**61.9**	**450.4**	**70.2**
Semi-concessional	228.7	28.3	182.2	28.4
Commercial terms	271.3	33.6	268.3	41.8
Uses of debt financing	**808.0**	**100.0**	**641.9**	**100.0**
Infrastructure (roads, transport)	30.1	3.7	23.7	3.7
Energy	402.3	49.8	319.3	49.7
Social (education, health, inclusiveness)	190.9	23.6	120.8	18.8
Various	184.7	22.9	178.1	27.7
Memorandum item:				
Budget support	**356.9**	**100.0**		
Concessional	114.7	32.1		
Non-concessional [2/]	219.2	61.4		
Grants	23.0	6.4		

Sources: Cameroonian authorities; IMF staff calculations.

1/ Given that the contractual terms of a majority of the loans have not been finalized, the present value (PV) calculation makes assumptions using terms for similar loans and similar creditors in past years. Currency conversions are based on

2/ Including IMF loans.

32. The BEAC and COBAC have pursued the implementation of their policy commitments and the BEAC has provided an updated policy assurance on end-December 2019 NFAs in support of CEMAC countries' Fund-supported programs.[6] With regard to existing policy assurances, the BEAC submitted new foreign exchange regulations to the UMAC ministerial committee and operationalized the new monetary policy framework by end-2018. In addition, the end-2018 regional policy assurance on NFAs was exceeded. In its updated letter of policy support, the BEAC presented a revised projection for the end-December 2019 NFAs, and also reiterated its commitment to implement an adequately tight monetary policy to achieve the NFA projections, while member states will implement adjustment policies in the context of IMF-supported programs. The NFA assurances provided by the BEAC are critical for the success of Cameroon's program and will help bolster the region's external sustainability, and hence Cameroon's.

33. The BEAC continues to implement the remaining recommendations of the 2017 safeguards assessment. BEAC's full transition to IFRS for FY 2019 is progressing broadly as planned, and efforts are being stepped up to accelerate the revisions to the secondary legal instruments for alignment with the BEAC Charter. The adoption of the revised secondary legislations was extended beyond the initial timeline (June 2018) to allow for further consultation with stakeholders, including IMF staff.

34. The program is fully financed through May 2020. Staff re-confirmed budget support projections with key development partners. (Text Table 9, Tables 8-9).

Text Table 9. Cameroon: Budget Support, 2017–20

(in billions of CFAF)

	2017	2018		2019		2020	Total
	Act.	*CR 18/378*	Proj.	*CR 18/378*	Proj.	Proj.	Proj.
1. Financing gap	**355**	**383**	**383**	**384**	**357**	**44**	**1139**
2. IMF financing	**158**	**85**	**85**	**86**	**88**	**44**	**375**
Percent of quota	*75*	40	*40*	40	*40*	*20*	*175*
3. Budget support from other donors	**197**	**298**	**298**	**298**	**269**	**0**	**765**
World Bank	113	0	0	111	115	0	**227**
European Union	19	16	16	23	23	0	**58**
African Development Bank	0	216	217	98	66	0	**282**
France	66	66	66	66	66	0	**197**
4. Residual financing gap (1-2-3)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Share of Fund financing	44	22	22	24	25	100	33

Source: IMF staff calculations.

35. Cameroon's capacity to repay the Fund remains adequate. Repayments under the ECF-supported program will remain below 0.2 percent of GDP during the program period, and peak at 2.7 percent of gross reserves in 2025 before declining in 2026 (Table 10).

[6] CEMAC—Staff Report on the Common Policies in Support of Member Countries' Programs, June 2019.

STAFF APPRAISAL

36. Cameroon's continued leadership in implementing the CEMAC's regional strategy is essential. Cameroon's contributions to rebuilding regional fiscal and external buffers since end-2016 have been substantial. Going forward, continued consolidation allowing for the rebuilding of government deposits at the BEAC, as well as full implementation of the new BEAC foreign exchange regulations will be key to restoring the CEMAC's fiscal and external sustainability, together with the finalization of program discussions with the Republic of Congo and Equatorial Guinea. In that regard, staff welcomes the authorities' commitment to repatriate deposits of public entities' accounts abroad and to share all contracts with oil companies with the BEAC. Staff also notes that it would be essential that the implementation of the new Cameroon petroleum code be fully compliant with the new BEAC FX regulation.

37. Enhanced fiscal discipline and cash management will be essential to reaching the revised 2019 budget targets. Staff welcomes the revisions to the 2019 budget, including a more realistic revenue and expenditure composition. Staff urges the authorities to continue to reduce resort to exceptional spending procedures, including SNH direct spending, to better monitor domestic liabilities and to strictly limit spending on below-the-line correspondent accounts. Cash management would benefit from faster progress towards full TSA implementation, starting with repatriation of idle balances of public entities in commercial banks to the Treasury.

38. Strictly implementing the SENDs disbursement plan and limiting new non-concessional borrowing will be essential to maintaining fiscal and debt sustainability. Staff welcomes the collaborative process with development partners underlying the preparation of a SENDs disbursement plan consistent with the medium-term fiscal framework, as well as the authorities' commitment to the unchanged 2019 limits on new borrowing. Staff strongly encourages the authorities to move towards concessional borrowing, enhance the debt management framework, and to swiftly implement measures to enhance investment efficiency.

39. Staff welcomes the authorities' commitment to address contingent risks associated with SOEs and to reform the administrated fuel products' prices. Staff welcomes the government's commitment to conduct by end-2019 an assessment of 4 largest SOEs with World Bank support that could lead to performance contracts. Staff also urges the authorities to implement remaining measures to enhance SONARA's financial viability, including by revising the fuel prices structure to ensure its viability and fairness among stakeholders.

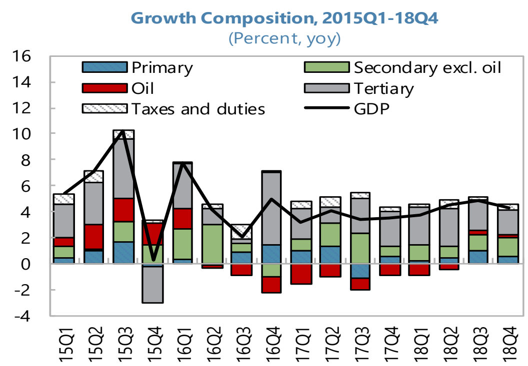
40. Reforms to enhance the business climate and governance and promote private sector development should be vigorously pursued. Measures to streamline and automatize customs and tax payment procedures, and to facilitate intra-regional trade, will support private investment. Resolving ailing banks and taking concrete steps to reduce NPLs, together with ongoing measures to improve contract enforcement will support financial inclusion. Further improving EITI compliance will enhance governance and transparency in the extractive sector and help attract foreign private

investment. Broader cooperation with the ANIF, notably by non-bank actors, will support stronger AML/CFT regulations' implementation and help reduce illicit financial flows.

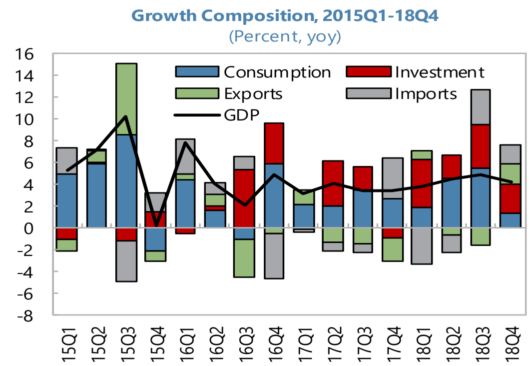
41. Based on Cameroon's performance under the program, and the adequate implementation of the regional policy assurances by the BEAC, staff supports the authorities' request for the completion of the fourth review under the Extended Credit Facility. Staff also supports the authorities' request for (i) waivers of non-observance of the end-December performance criterion on the ceiling on net borrowing of the central government from the central bank excluding IMF financing and the continuous performance criterion on the non-accumulation of new external payments arrears, on the grounds of corrective actions taken by the authorities. Staff further supports the authorities' request for the modification of (i) the end-June 2019 PCs on the floor on the non-oil primary fiscal balance, the ceiling on the net domestic financing of the central government excluding IMF financing, the ceiling on net borrowing of the central government from the central bank excluding IMF financing and the ceiling on the disbursement of non-concessional external debt; (ii) the continuous PC on the contracting of new-nonconcessional external debt (modified definition); (iii) end-June and end-September ITs as indicated in ¶30. Staff proposes that completion of the fifth ECF review be conditional on the implementation of critical policy assurances on NFAs at the union level, as established in the June 2019 union-wide background paper.

Figure 1. Cameroon: Real Sector Developments, 2015–19

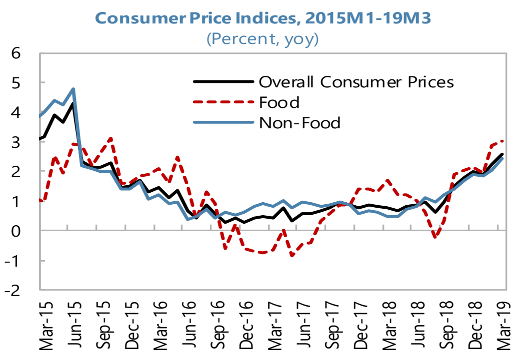
Growth rebounded, with lower contraction in oil and gas production…



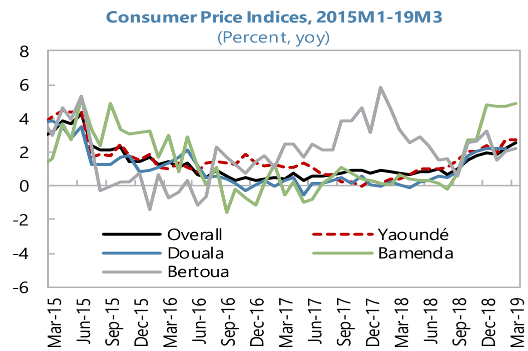
…and strong domestic demand.



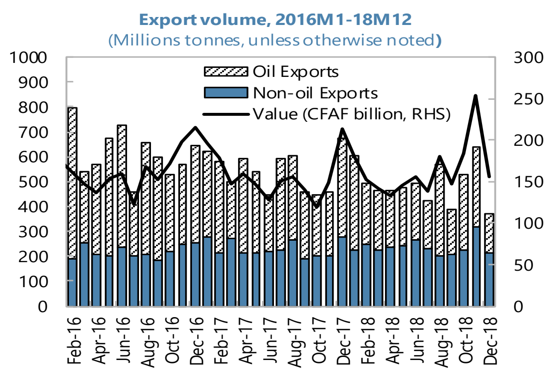
Inflation remains low but is trending up…



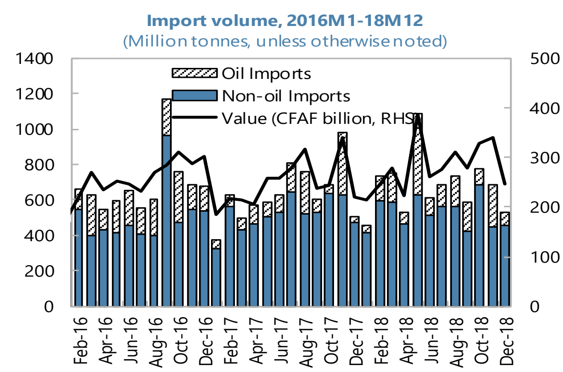
… with strong regional variations.



Oil exports picked-up in H2



… while imports have risen particularly of oil

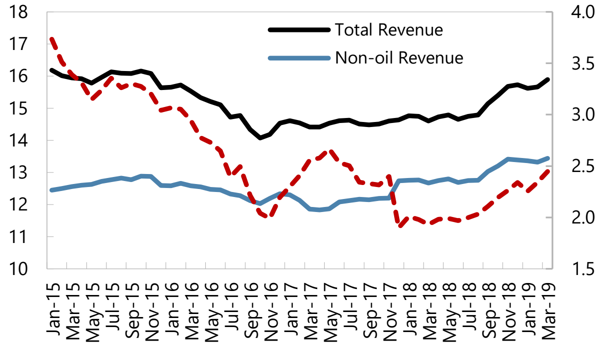


Sources: Cameroonian authorities; BEAC; and IMF staff calculations.

Figure 2. Cameroon: Fiscal Sector Developments, 2013–19

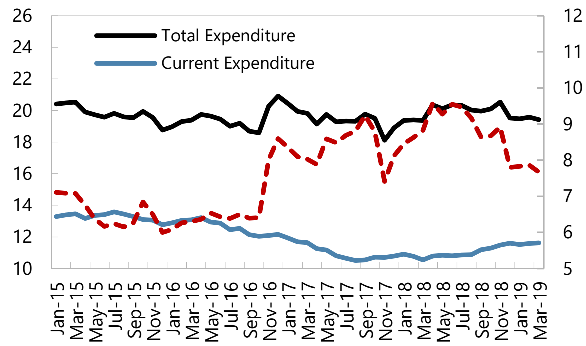
Non-oil revenue continues to improve…

Revenue and its Composition, 2015M1-19M3
(12 month total as a percentage of 12 month GDP)



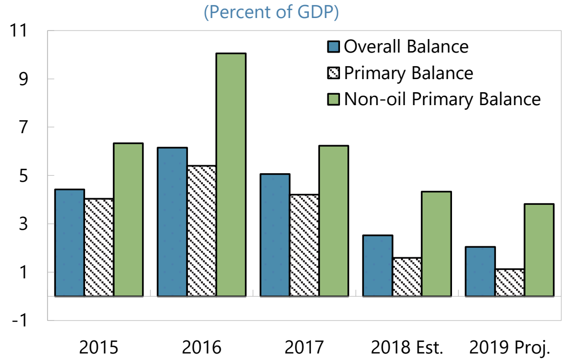
…while capital spending is accelerating.

Expenditure and its Composition, 2015M1-19M3
(12 month total as a percentage of 12 month GDP)



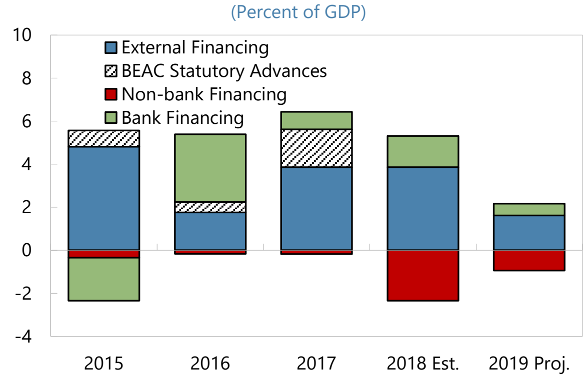
The fiscal consolidation continues …

Fiscal Deficit, 2015-19
(Percent of GDP)



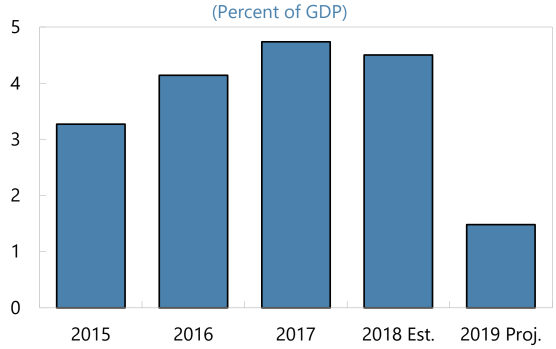
…with more reliance on foreign financing and reduction of non-bank domestic liabilities.

Financing, 2015-19
(Percent of GDP)



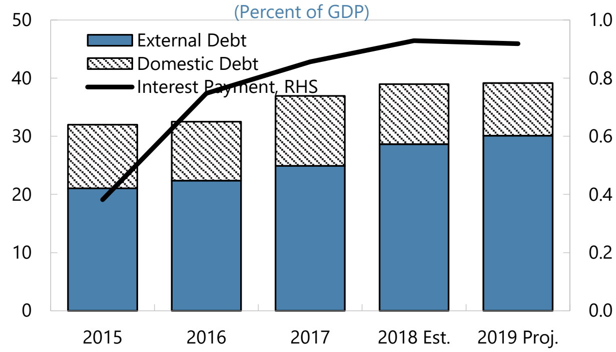
Unpaid government obligations are shrinking…

Unpaid Government Obligations, 2015-19 1/
(Percent of GDP)



…and public debt is stabilizing with more concessional external financing.

Public Debt and Interest Payments, 2015-19
(Percent of GDP)

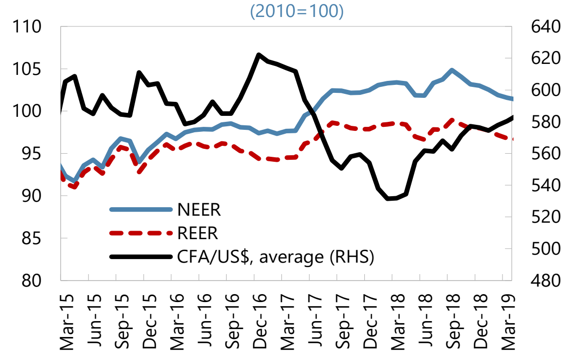


Sources: Cameroonian authorities; and IMF staff calculations.
1/This includes starting 2016 the ustructured debt from CAA and the floating debt at the Treasury.

Figure 3. Cameroon: External Sector Developments, 2012–19

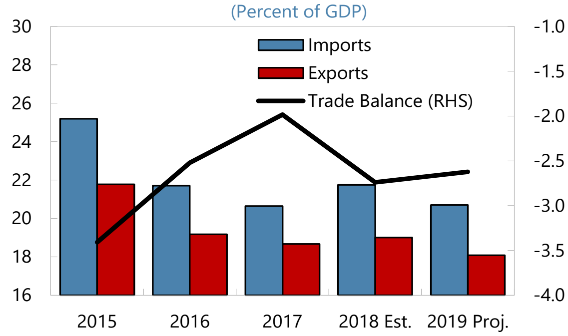
Effective exchange rates have remained broadly unchanged since end-2017.

Effective Exchange Rate, 2015M1-19M2
(2010=100)



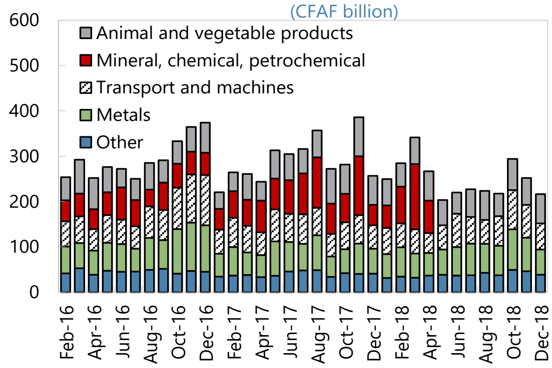
The trade balance is likely to deteriorate due to worsening exports and rising imports.

Trade Balance, 2015-19
(Percent of GDP)



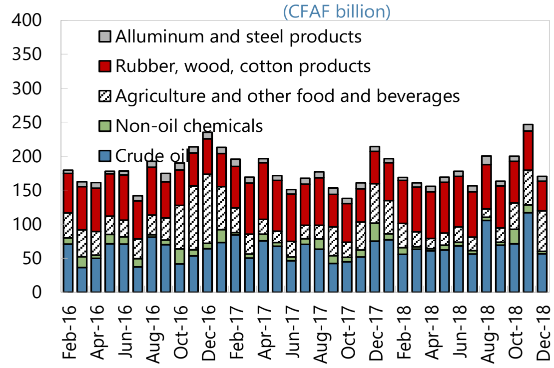
The import increase is mainly driven by mineral products and investment goods...

Imports by Sector, 2016M1-18M12
(CFAF billion)



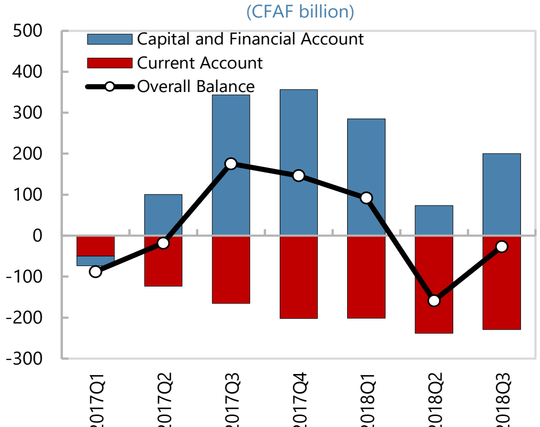
...while the export decline is driven mainly by agricultural products.

Exports by Sector, 2016M1-18M12
(CFAF billion)



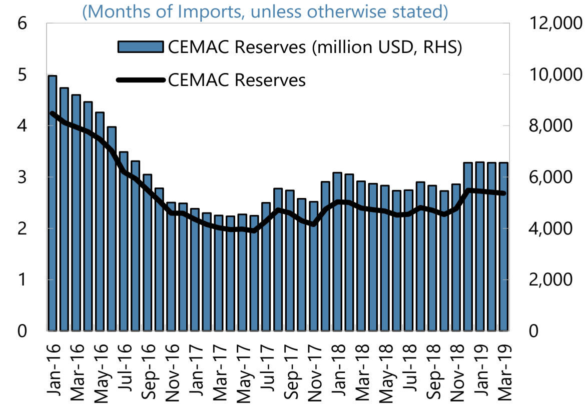
The overall balance of payments deteriorated in 2018...

Balance of Payments, 2017Q1-18Q3
(CFAF billion)



...but BEAC reserves are recovering.

BEAC Reserves, 2016M1-18M12
(Months of Imports, unless otherwise stated)

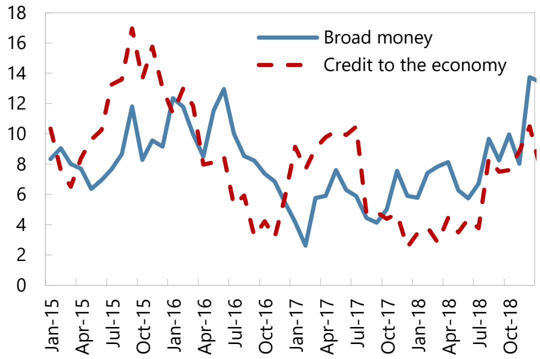


Sources: Cameroonian authorities; BEAC; and IMF staff calculations.

Figure 4. Cameroon: Monetary Sector Developments, 2014–19

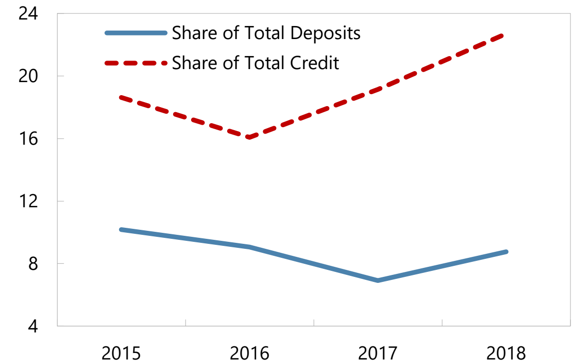
Broad money and credit growth are increasing…

Broad Money and Credit, 2015M1-19M3
(Percent change, yoy)



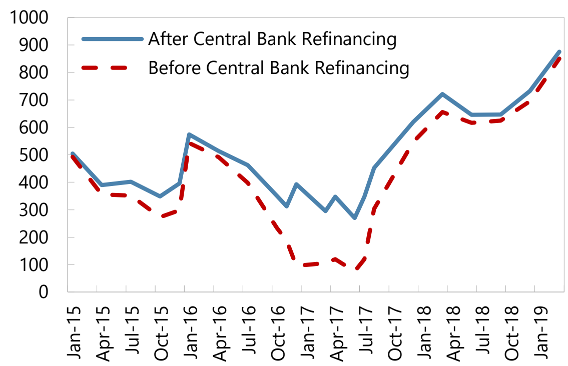
…and SMEs' deposits and credits are also growing.

SMEs' Deposits and Credits, 2015-18
(Percent)



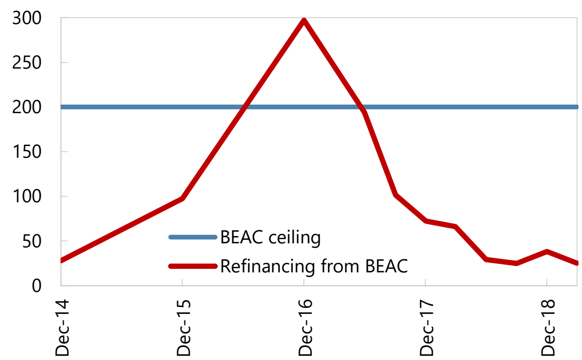
Banks' liquidity remains high…

Banks' Excess Liquidity at BEAC, 2015M1-19M3
(Percent change, yoy)



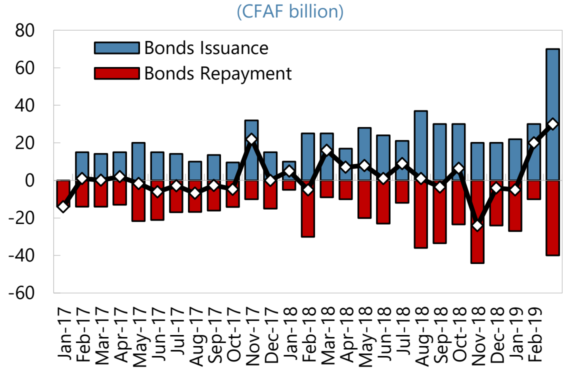
…and refinancing from BEAC has declined.

Banks' Refinancing from BEAC, 2017-2019Q1
(CFAF billion)



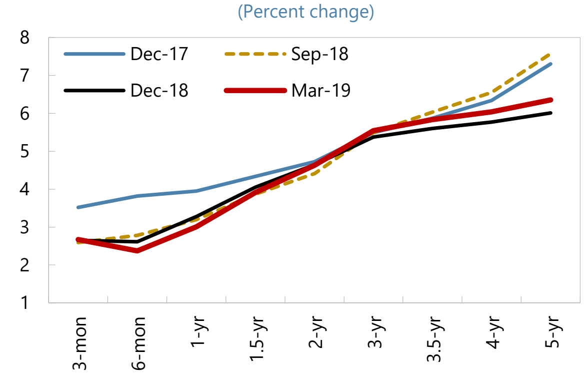
This has helped improve the rollover of T-Bills…

Net Issuance of Treasury Bonds, 2017M1-19M3
(CFAF billion)



…and borrowing costs to decline.

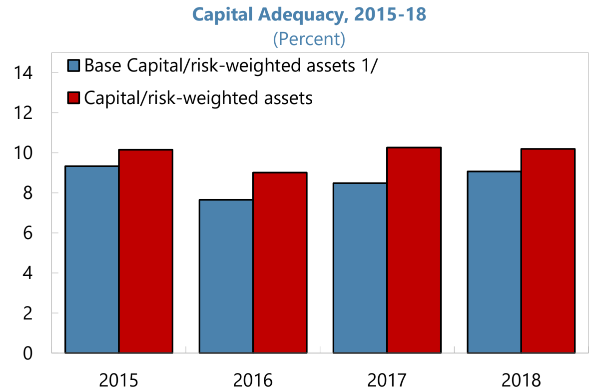
Yield Curve, 2017-19
(Percent change)

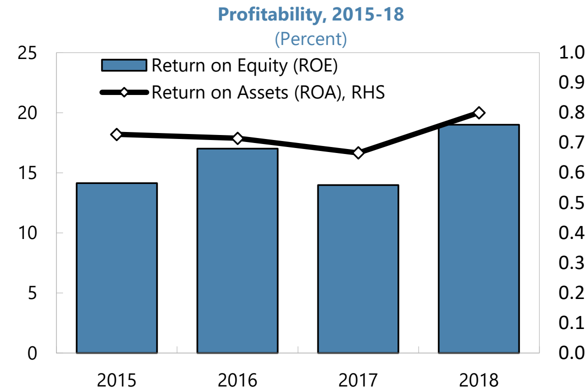


Sources: BEAC; Cameroonian authorities; and IMF staff calculations.

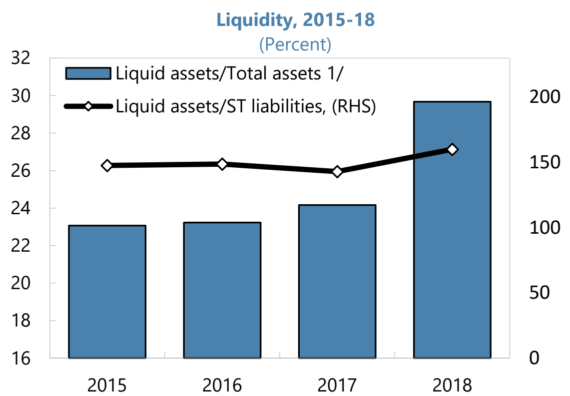
Figure 5. Cameroon: Financial Sector Developments, 2012–19

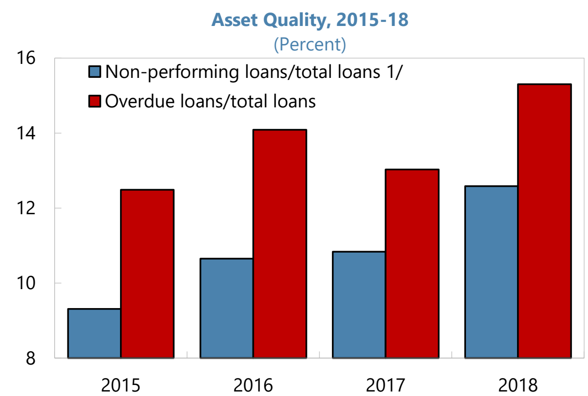
Banks remain adequately capitalized... *...and profitable.*



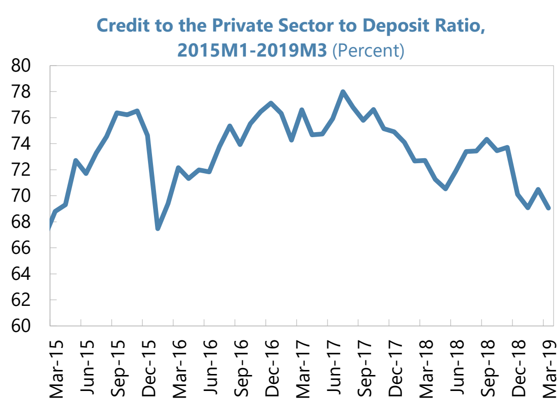


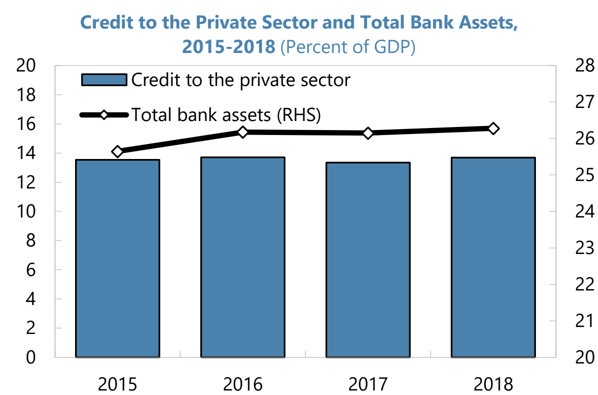
Liquidity remains high and is increasing... *...but asset quality remains poor and worsened in 2018.*





The credit-to-deposit-ratio is declining... *... and financial deepening remains slow.*





Sources: BEAC; Cameroonian authorities; and IMF staff calculations.
1/ Data from the IMF Financial Soundness Indicators database. Latest available for 2018 is October.

Table 1. Cameroon: Selected Economic and Financial Indicators, 2016–24

	2016	2017	2018		2019		2020	2021	2022	2023	2024
			CR 18/378	Est.	CR 18/378	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)										
National account and prices											
GDP at constant prices	4.6	3.5	3.8	4.0	4.4	4.2	4.5	4.8	5.0	5.3	5.5
Oil GDP at constant prices	-3.6	-16.4	-9.3	-2.5	-6.6	0.8	-1.0	-6.5	-7.1	-7.6	-8.3
Non-Oil GDP at constant prices	5.3	5.0	4.5	4.4	4.9	4.3	4.8	5.4	5.6	5.8	5.9
GDP deflator	1.1	1.5	1.5	1.1	1.4	1.2	1.3	1.4	1.5	1.7	1.7
Nominal GDP (at market prices, CFAF billions)	19,345	20,328	21,426	21,382	22,668	22,538	23,864	25,363	27,049	28,971	31,087
Oil	623	718	715	754	672	664	657	600	559	518	465
Non-Oil	18,722	19,610	20,711	20,627	21,997	21,873	23,207	24,763	26,490	28,453	30,622
Consumer prices (average)	0.9	0.6	0.9	1.1	1.2	2.1	2.2	2.1	2.0	2.0	2.0
Consumer prices (eop)	0.3	0.8	1.1	2.0	1.2	2.3	2.2	2.0	2.0	2.0	2.0
External trade											
Export volume	-4.0	-1.3	-4.0	-0.9	6.2	4.0	4.9	5.4	6.2	6.0	5.6
Oil sector 1/	-3.1	-19.8	-4.0	-16.7	-6.6	4.8	-1.0	-21.0	-17.7	-5.0	0.0
Non-oil sector	-4.3	3.8	-4.0	2.5	9.0	3.8	6.0	9.7	9.0	7.0	6.0
Import volume	-5.9	-4.8	12.4	7.0	1.5	-0.1	2.5	2.0	2.2	3.0	3.4
Nominal effective exchange rate (depreciation -)	3.6	2.6	...	2.7	...	...	...	...	...	...	...
Real effective exchange rate (depreciation -)	2.0	0.2	...	0.6	...	...	...	...	...	...	...
Terms of trade	0.2	-1.7	3.4	-0.2	-4.8	-4.3	-2.9	-8.5	-6.5	-3.0	-2.6
Export price index	-8.0	-0.6	7.0	6.9	-3.2	-4.3	-2.3	-8.4	-6.1	-2.7	-1.9
Non-oil export price index	7.1	-8.2	-2.3	-6.3	-2.5	-3.3	-1.4	-5.2	-3.3	-1.3	-0.9
Import price index	-8.2	1.1	3.5	7.1	1.6	-0.1	0.6	0.1	0.4	0.4	0.7
Money and credit											
Broad money (M2)	5.5	5.9	6.4	9.8	6.0	6.1	5.9	6.4	6.9	7.4	7.3
Net foreign assets 2/	-14.0	6.1	-0.5	2.3	0.5	-0.3	-0.6	0.9	1.7	2.0	3.1
Net domestic assets 2/	19.5	-0.2	6.9	7.5	5.6	6.3	6.5	5.5	5.3	5.4	4.2
Domestic credit to the private sector	7.2	2.3	5.6	4.6	6.5	6.1	6.7	7.1	8.3	9.2	9.4
	(Percent of GDP, unless otherwise indicated)										
Savings and investments											
Gross national savings	25.2	25.5	26.4	25.6	27.1	25.2	25.2	25.7	26.3	27.0	28.0
Gross domestic investment	28.4	28.1	30.1	29.3	30.1	28.6	28.5	29.0	29.4	30.1	30.9
Public investment	8.3	8.6	6.0	6.9	5.9	6.6	6.3	6.3	6.3	6.5	6.4
Private investment	20.1	19.5	24.0	22.4	24.3	22.0	22.2	22.7	23.1	23.6	24.5
Central government operations											
Total revenue (including grants)	14.8	14.8	15.5	16.1	15.5	16.2	16.3	16.3	16.3	16.2	16.3
Oil revenue	2.1	1.9	2.2	2.3	2.0	2.2	2.0	1.8	1.6	1.4	1.2
Non-oil revenue	12.3	12.6	12.9	13.4	13.2	13.5	13.8	14.1	14.3	14.6	15.0
Non-oil revenue (percent of non-oil GDP)	12.9	13.0	13.4	13.9	13.5	13.9	14.2	14.4	14.6	14.9	15.2
Total expenditure	20.9	19.8	17.9	18.6	17.4	18.2	17.8	17.8	17.8	17.7	17.8
Overall fiscal balance (payment order basis)											
Excluding grants	-6.4	-5.2	-2.7	-2.9	-2.3	-2.5	-1.9	-1.9	-1.9	-1.7	-1.7
Including grants	-6.1	-4.9	-2.4	-2.5	-2.0	-2.0	-1.5	-1.5	-1.5	-1.5	-1.5
Overall fiscal balance (cash basis)											
Excluding grants	-5.3	-4.8	-4.1	-3.7	-2.8	-3.6	-2.8	-2.0	-1.9	-1.7	-1.7
Including grants	-5.1	-4.5	-3.8	-3.3	-2.4	-3.1	-2.3	-1.6	-1.5	-1.5	-1.5
Non-oil primary balance (payment basis, percent of non-oil GDP)	-7.6	-6.1	-3.9	-4.1	-3.2	-3.5	-2.6	-2.4	-2.2	-2.0	-1.8
External sector											
Current account balance											
Excluding official grants	-3.6	-3.0	-4.1	-4.1	-3.6	-4.0	-3.8	-3.7	-3.7	-3.4	-3.3
Including official grants	-3.2	-2.7	-3.6	-3.7	-3.1	-3.4	-3.3	-3.2	-3.2	-3.0	-3.0
Public debt											
Stock of public debt 3/	32.8	37.6	36.9	39.3	36.7	39.5	39.0	38.3	37.4	36.5	35.4
Of which: external debt	22.4	24.9	28.2	28.7	28.8	30.1	29.7	29.1	28.7	27.9	27.2

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

1/ Crude oil volumes are augmented as of 2018 with natural gas exports of 60 million standard cubic feet per year.

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

3/ Includes the cumulative financing gap.

Table 2a. Cameroon: Central Government Operations, 2016–24

(CFAF billions, unless otherwise indicated)

	2016	2017	2018		2019		2020	2021	2022	2023	2024
			CR 18/378	Est.	CR 18/378	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**2,866**	**3,040**	**3,317**	**3,451**	**3,511**	**3,649**	**3,878**	**4,123**	**4,410**	**4,697**	**5,069**
Total revenue	2,812	2,975	3,252	3,364	3,431	3,550	3,776	4,019	4,303	4,641	5,012
Oil sector revenue	413	386	479	500	450	506	474	455	435	398	358
Non-oil sector revenue	2,377	2,589	2,773	2,864	2,981	3,044	3,303	3,564	3,869	4,244	4,654
Direct taxes	680	575	610	643	657	694	758	828	912	1,007	1,110
Special tax on petroleum products	106	122	160	128	162	131	141	152	165	182	203
Other taxes on goods and services	1,152	1,346	1,419	1,496	1,534	1,584	1,722	1,878	2,045	2,243	2,455
Taxes on international trade	348	399	395	406	447	434	464	468	488	530	581
Non-tax revenue	147	148	189	191	181	200	218	238	260	281	305
Total grants	54	65	65	86.7	79	100	102	104	107	56	57
Projects	36	32	36	38	29	28	29	31	34	36	39
Other (debt relief)	18	13	29	48	50	72	73	73	73	20	18
Total expenditure	**4,045**	**4,031**	**3,831**	**3,986**	**3,955**	**4,110**	**4,240**	**4,504**	**4,810**	**5,134**	**5,532**
Current expenditure	2,407	2,279	2,519	2,485	2,646	2,659	2,735	2,909	3,097	3,264	3,534
Wages and salaries	948	1,006	1,004	1,007	1,038	1,032	1,050	1,111	1,169	1,230	1,334
Goods and services	829	743	821	733	887	807	821	886	928	992	1,067
Subsidies and transfers	485	356	519	547	524	613	630	670	737	791	863
Interest	145	174	175	199	198	207	235	241	263	252	269
External	131	136	126	151	151	160	178	197	217	218	233
Domestic	14	38	49	48	47	47	57	44	45	35	37
Capital expenditure	1,608	1,751	1,293	1,474	1,327	1,479	1,504	1,595	1,713	1,870	1,998
Domestically financed investment	1,070	961	509	674	671	654	662	705	785	841	898
Foreign-financed investment	489	773	746	749	617	775	796	840	875	972	1,038
Rehabilitation and participation	49	16	37	50	40	50	47	50	53	57	62
Net lending	30	0	19	27	-19	-27	0	0	0	0	0
Adjustment to fiscal year spending											
Overall balance (payment order basis)											
Excluding grants	-1,233	-1,055	-579	-622	-523	-561	-464	-485	-507	-493	-519
Including grants	-1,178	-991	-514	-536	-444	-461	-361	-381	-400	-437	-462
CEMAC reference fiscal balance	**-1,025**	**-880**	**-585**	**-632**	**-512**	**-584**	**-422**	**-391**	**-400**	**-419**	**-425**
Adjustment to cash basis 1/	**201**	**76**	**-300**	**-174**	**-103**	**-249**	**-199**	**-35**	**0**	**0**	**0**
Unexecuted payment orders (-=reduction) 1/	203	-106	-96	-96	0	0	0	0	0	0	0
Floats and arrears (- = reduction)	-2	182	-204	-78	-103	-249	-199	-35	0	0	0
o/w Arrears (- = reduction)	-2	-145	-94	-135	-103	-73	-73	0	0	0	0
o/w Floats (- = reduction)		327	-110	136	0	-100	-63	0	0	0	0
o/w other arrears 3/				-78		-76	-64	-35	0	0	0
Overall balance (cash basis)											
Excluding grants	-1,032	-979	-880	-796	-627	-810	-783	-520	-507	-493	-519
Including grants	-977	-915	-814	-709	-548	-710	-561	-415	-400	-437	-462
Financing	**978**	**914**	**431**	**710**	**163**	**353**	**517**	**415**	**400**	**437**	**462**
External financing, net	340	785	511	825	249	366	376	390	441	398	463
Amortization	-113	-135	-242	-210	-338	-381	-391	-419	-401	-538	-536
Drawings	453	920	753	1,036	588	747	767	809	842	936	999
Domestic financing, net	578	129	-80	-116	-86	-14	141	25	-41	39	-1
Banking system	610	166	28	310	99	123	72	71	55	38	-70
o/w statutory advances from BEAC	93	346	0	0	0	0	0	0	-58	-58	-58
Amortization of domestic debt	-237	-36	-45	-64	-87	-65	-29	-27	-26	-26	0
Other domestic financing	205	-1	-64	-362	-98	-72	99	-19	-70	27	70
Errors and omissions	59	0	0	0	0	0	0	0	0	0	0
Financing gap	**0**	**0**	**383**	**0**	**384**	**357**	**44**	**0**	**0**	**0**	**0**
Of which: IMF			85		86	88	44	0	0	0	0
Of which: budget support (excl. IMF)			298		298	269	0	0	0	0	0
AFDB			216		98	66	0	0	0	0	0
WB			0		111	115	0	0	0	0	0
France			66		66	66	0	0	0	0	0
EU			16		23	23	0	0	0	0	0
Other			0		0	0	0	0	0	0	0
Memorandum items:											
Floor of social spending		636	668	657	711	711					
Primary balance (payment order basis, incl. grants)	-1,034	-817	-339	-337	-246	-254	-127	-140	-137	-185	-193
Primary balance (cash basis, incl. grants)	-833	-741	-639	-511	-350	-503	-326	-174	-137	-185	-193
Non-oil primary balance (payment order basis, incl. grants)	-1,447	-1,203	-818	-837	-696	-760	-600	-595	-572	-582	-551
Non-oil primary balance (cash basis, incl. grants)	-1,246	-1,127	-1,118	-1,011	-800	-1009	-799	-629	-572	-582	-551
Unpaid government obligations	801	963	274	583	170	334	135	100	100	100	100
Float	101	429	86	262	86	162	100	100	100	100	100
Arrears 2/	495	282	188	146	84	73	0	0	0	0	0
Other arrears 3/	205	253		174		99	35	0	0	0	0

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

1/ Include adjustment for payment orders issued in 2016 for investment to be executed in 2017 and 2018.

2/ The end-2017 audit of the stock of demestic arrears incurred prior to 2016 resulted in the cancelation of CFAF 68 billion of arrears. In 2018, more arrears mainly related to unfunded subisidies, tranfers, and projects' conterpart funds were cancelled for about CFAF 303 billion.

3/ Other arrears include the stock 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 are adjusted starting end-2016 to reflect these operations.

Table 2b. Cameroon: Central Government Operations, 2016–24

(In percent of GDP)

	2016	2017	2018		2019		2020	2021	2022	2023	2024
			CR 18/378	Est.	CR 18/378	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**14.8**	**15.0**	**15.5**	**16.1**	**15.5**	**16.2**	**16.3**	**16.3**	**16.3**	**16.2**	**16.3**
Total revenue	14.5	14.6	15.2	15.7	15.1	15.7	15.8	15.8	15.9	16.0	16.1
Oil sector revenue	2.1	1.9	2.2	2.3	2.0	2.2	2.0	1.8	1.6	1.4	1.2
Non-oil sector revenue	12.3	12.7	12.9	13.4	13.2	13.5	13.8	14.1	14.3	14.6	15.0
Direct taxes	3.5	2.8	2.8	3.0	2.9	3.1	3.2	3.3	3.4	3.5	3.6
Special tax on petroleum products	0.5	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.7
Other taxes on goods and services	6.0	6.6	6.6	7.0	6.8	7.0	7.2	7.4	7.6	7.7	7.9
Taxes on international trade	1.8	2.0	1.8	1.9	2.0	1.9	1.9	1.8	1.8	1.8	1.9
Non-tax revenue	0.8	0.7	0.9	0.9	0.8	0.9	0.9	0.9	1.0	1.0	1.0
Total grants	0.3	0.3	0.3	0.4	0.3	0.4	0.4	0.4	0.4	0.2	0.2
Projects	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other (debt relief)	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.1	0.1
Total expenditure	**20.9**	**19.8**	**17.9**	**18.6**	**17.4**	**18.2**	**17.8**	**17.8**	**17.8**	**17.7**	**17.8**
Current expenditure	12.4	11.2	11.8	11.6	11.7	11.8	11.5	11.5	11.4	11.3	11.4
Wages and salaries	4.9	4.9	4.7	4.7	4.6	4.6	4.4	4.4	4.3	4.2	4.3
Goods and services	4.3	3.7	3.8	3.4	3.9	3.6	3.4	3.5	3.4	3.4	3.4
Subsidies and transfers	2.5	1.8	2.4	2.6	2.3	2.7	2.6	2.6	2.7	2.7	2.8
Interest	0.7	0.9	0.8	0.9	0.9	0.9	1.0	1.0	1.0	0.9	0.9
External	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.7
Domestic	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Capital expenditure	8.3	8.6	6.0	6.9	5.9	6.6	6.3	6.3	6.3	6.5	6.4
Domestically financed investment	5.5	4.7	2.4	3.2	3.0	2.9	2.8	2.8	2.9	2.9	2.9
Foreign-financed investment	2.5	3.8	3.5	3.5	2.7	3.4	3.3	3.3	3.2	3.4	3.3
Rehabilitation and participation	0.3	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Net lending	0.2	0.0	0.1	0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Adjustment to fiscal year spending											
Overall balance (payment order basis)											
Excluding grants	-6.4	-5.2	-2.7	-2.9	-2.3	-2.5	-1.9	-1.9	-1.9	-1.7	-1.7
Including grants	-6.1	-4.9	-2.4	-2.5	-2.0	-2.0	-1.5	-1.5	-1.5	-1.5	-1.5
CEMAC reference fiscal balance	**-5.4**	**-4.3**	**-2.7**	**-3.0**	**-2.3**	**-2.6**	**-1.8**	**-1.5**	**-1.5**	**-1.4**	**-1.4**
Adjustment to cash basis 1/	**1.0**	**0.4**	**-1.4**	**-0.8**	**-0.5**	**-1.1**	**-0.8**	**-0.1**	**0.0**	**0.0**	**0.0**
Unexecuted payment orders (-=reduction) 1/	1.0	-0.5	-0.5	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Floats and arrears (- = reduction)		0.9	-1.0	-0.4	-0.5	-1.1	-0.8	-0.1	0.0	0.0	0.0
o/w Arrears (- = reduction)		-0.7	-0.4	-0.6	-0.5	-0.3	-0.3	0.0	0.0	0.0	0.0
o/w Floats (- = reduction)		1.6	-0.5	0.6	0.0	-0.4	-0.3	0.0	0.0	0.0	0.0
o/w other arrears 3/				-0.4		-0.3	-0.3	-0.1	0.0	0.0	0.0
Overall balance (cash basis)											
Excluding grants	-5.3	-4.8	-4.1	-3.7	-2.8	-3.6	-3.3	-2.0	-1.9	-1.7	-1.7
Including grants	-5.1	-4.5	-3.8	-3.3	-2.4	-3.1	-2.3	-1.6	-1.5	-1.5	-1.5
Financing	**5.1**	**4.5**	**2.0**	**3.3**	**0.7**	**1.6**	**2.2**	**1.6**	**1.5**	**1.5**	**1.5**
External financing, net	1.8	3.9	2.4	3.9	1.1	1.6	1.6	1.5	1.6	1.4	1.5
Amortization	-0.6	-0.7	-1.1	-1.0	-1.5	-1.7	-1.6	-1.7	-1.5	-1.9	-1.7
Drawings	2.3	4.5	3.5	4.8	2.6	3.3	3.2	3.2	3.1	3.2	3.2
Domestic financing, net	3.0	0.6	-0.4	-0.5	-0.4	-0.1	0.6	0.1	-0.2	0.1	0.0
Banking system	3.2	0.8	0.1	1.4	0.4	0.5	0.3	0.3	0.2	0.1	-0.2
o/w statutory advances from BEAC	0.5	1.7	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-0.2	-0.2
Amortization of domestic debt	-1.2	-0.2	-0.2	-0.3	-0.4	-0.3	-0.1	-0.1	-0.1	-0.1	0.0
Other domestic financing	1.1	0.0	-0.3	-1.7	-0.4	-0.3	0.4	-0.1	-0.3	0.1	0.2
Errors and omissions											
Financing gap	**0.0**	**0.0**	**1.8**	**0.0**	**1.7**	**1.6**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**
Of which: IMF			0.4		0.4	0.4	0.2	0.0	0.0	0.0	0.0
Of which: budget support (excl. IMF)			1.4		1.3	1.2	0.0	0.0	0.0	0.0	0.0
AFDB			1.0		0.4	0.3	0.0	0.0	0.0	0.0	0.0
WB			0.0		0.5	0.5	0.0	0.0	0.0	0.0	0.0
France			0.3		0.3	0.3	0.0	0.0	0.0	0.0	0.0
EU			0.1		0.1	0.1	0.0	0.0	0.0	0.0	0.0
Other			0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Floor of social spending	…	3.1	3.1	3.1	3.1	3.2					
Primary balance (payment order basis, incl. grants)	-5.3	-4.0	-1.6	-1.6	-1.1	-1.1	-0.5	-0.6	-0.5	-0.6	-0.6
Primary balance (cash basis, incl. grants)	-4.3	-3.6	-3.0	-2.4	-1.5	-2.2	-1.4	-0.7	-0.5	-0.6	-0.6
Non-oil primary balance (payment order basis, incl. grants)	-7.5	-5.9	-3.8	-3.9	-3.1	-3.4	-2.5	-2.3	-2.1	-2.0	-1.8
Non-oil primary balance (cash basis, incl. grants)	-6.4	-5.5	-5.2	-4.7	-3.5	-4.5	-3.3	-2.5	-2.1	-2.0	-1.8
Unpaid government obligations	4.1	4.7	1.3	2.7	0.8	1.5	0.6	0.4	0.4	0.3	0.3
Float	0.5	2.1	0.4	1.2	0.4	0.7	0.4	0.4	0.4	0.3	0.3
Arrears 2/	2.6	1.4	0.9	0.7	0.4	0.3	0.0	0.0	0.0	0.0	0.0
Other arrears 3/	1.1	1.2		0.8		0.4	0.1	0.0	0.0	0.0	0.0

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

1/ Include adjustment for payment orders issued in 2016 for investment to be executed in 2017 and 2018.

2/ The end-2017 audit of the stock of demestic arrears incurred prior to 2016 resulted in the cancelation of CFAF 68 billion of arrears. In 2018, more arrears mainly related to unfunded subisidies, tranfers, and projects' conterpart funds were cancelled for about CFAF 303 billion.

3/ Other arrears include the stock 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 are adjusted starting end-2016 to reflect these operations.

Table 3. Cameroon: Balance of Payments, 2016–24

	2016	2017	2018		2019		2020	2021	2022	2023	2024
			CR 18/378	Proj.	CR 18/378	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
					(CFAF billion)						
Current account balance	**-613**	**-541**	**-780**	**-792**	**-695**	**-775**	**-778**	**-814**	**-861**	**-882**	**-918**
Trade balance	-137	-117	-409	-309	-392	-299	-324	-490	-584	-608	-651
Exports, goods	2,725	2,675	2,747	2,833	2823	2,818	2,891	2,791	2,784	2,873	2,975
Oil and oil products	767	809	996	1,040	961	1,020	1,010	835	722	695	687
Non-oil sector	1,958	1,866	1,751	1,792	1862	1,799	1,881	1,956	2,062	2,178	2,288
Imports, goods	-2,862	-2,792	-3,156	-3,142	-3215	-3,118	-3,215	-3,281	-3,368	-3,481	-3,626
Services (net)	-351	-286	-294	-277	-278	-292	-305	-257	-236	-243	-263
Exports, services	986	1,120	1,142	1,231	1186	1,255	1,301	1,375	1,432	1,492	1,556
Imports, services	-1,336	-1,405	-1,436	-1,507	-1464	-1,547	-1,606	-1,632	-1,667	-1,735	-1,819
Income (net)	-331	-384	-338	-455	-319	-447	-429	-365	-358	-331	-320
Of which: interest due on public debt	-131	-136	-119	-151	-140	-160	-178	-197	-217	-218	-233
Transfers (net)	205	246	260	248	294	263	280	298	316	300	316
Inflows	377	408	447	423	485	466	484	501	523	510	531
Outflows	-171	-161	-187	-175	-191	-203	-203	-203	-207	-210	-215
Capital and financial account balance	**-181**	**773**	**479**	**957**	**419**	**484**	**744**	**868**	**965**	**1,013**	**1,141**
Capital account	36	65	36	87	29	28	29	31	34	36	39
Capital transfers	36	65	36	87	29	28	29	31	34	36	39
Of which: private transfers	0	0	0	0	**0**	0	0	0	0	0	0
Financial account	**-218**	**708**	**443**	**871**	**391**	**456**	**714**	**837**	**931**	**977**	**1,102**
Official capital	345	785	511	782	**249**	366	376	390	441	398	463
Long-term borrowing	458	920	753	993	588	747	767	809	842	936	999
Of which: SDR allocation	0	0	0	0	0	0	0	0	0	0	0
Principal not yet due rescheduled	0	0	0	0	0	0	0	0	0	0	0
Amortization	-113	-135	-242	-210	-338	-381	-391	-419	-401	-538	-536
Principal not yet due (relief)	0	0	0	0	0	0	0	0	0	0	0
Non-official capital (net)	232	473	437	388	481	417	489	536	581	629	649
of which: Foreign direct investment	220	458	423	376	467	404	475	523	566	614	634
Oil sector (net)	82	91	87	87	86	86	85	84	84	83	82
Non-oil sector	150	381	350	301	396	331	404	452	497	546	567
Short-term private capital, net	-795	-549	-505	-300	-340	-327	-150	-90	-90	-50	-10
Errors and omissions	**97**	**-20**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**-697**	**212**	**-301**	**165**	**-276**	**-291**	**-34**	**54**	**104**	**131**	**223**
Financing	**697**	**-212**	**301**	**-165**	**276**	**291**	**34**	**-54**	**-104**	**-131**	**-223**
Bank of Central African States 1/	697	-363	-67	-234	-94	-51	-10	-54	-104	-99	-170
Use of IMF credit (net)	-18	150	-15	-70	-15	-15	0	0	0	-32	-53
Financing gap	0	0	383	0	384	357	44	0	0	0	0
Of which :											
Possible IMF financing			85		86	88	44	0	0	0	0
Remaining financing gap			298		298	269	0	0	0	0	0
AFDB			216		98	66	0	0	0	0	0
WB			0		111	115	0	0	0	0	0
France			66		66	66	0	0	0	0	0
EU			16		23	23	0	0	0	0	0
					(Percent of GDP)						
Trade balance	**-0.7**	**-0.6**	**-1.9**	**-1.4**	**-1.7**	**-1.3**	**-1.4**	**-1.9**	**-2.2**	**-2.1**	**-2.1**
Oil exports	4.0	4.0	4.6	4.9	4.2	4.5	4.2	3.3	2.7	2.4	2.2
Non-oil exports	10.1	9.2	8.2	8.4	8.2	8.0	7.9	7.7	7.6	7.5	7.4
Imports	14.8	13.7	14.7	14.7	14.2	13.8	13.5	12.9	12.5	12.0	11.7
Current account balance											
Including grants	-3.2	-2.7	-3.6	-3.7	-3.1	-3.4	-3.3	-3.2	-3.2	-3.0	-3.0
Excluding grants	-3.6	-3.0	-4.1	-4.1	-3.6	-4.0	-3.8	-3.7	-3.7	-3.4	-3.3
Overall balance	**-3.6**	**1.0**	**-1.4**	**0.8**	**-1.2**	**-1.3**	**-0.1**	**0.2**	**0.4**	**0.5**	**0.7**
Foreign direct investment	**1.1**	**2.3**	**2.0**	**1.8**	**2.1**	**1.8**	**2.0**	**2.1**	**2.1**	**2.1**	**2.0**
					(Percentage change, unless otherwise indicated)						
Export volume	-4.0	-1.3	-4.0	-0.9	6.2	4.0	4.9	5.4	6.2	6.0	5.6
Crude oil	-3.1	-19.8	-4.0	-16.7	-6.6	4.8	-1.0	-21.0	-17.7	-5.0	0.0
Nonoil	-4.3	3.8	-4.0	2.5	9.0	3.8	6.0	9.7	9.0	7.0	6.0
Import volume	-5.9	-4.8	12.4	7.0	1.5	-0.1	2.5	2.0	2.2	3.0	3.4
Terms of trade	0.2	-1.7	3.4	-0.2	-4.8	-4.3	-2.9	-8.5	-6.5	-3.0	-2.6
Non-oil export price index	7.1	-8.2	-2.3	-6.3	-2.5	-3.3	-1.4	-5.2	-3	-1.3	-0.9
Export price index	-8.0	-0.6	7.0	6.9	-3.2	-4.3	-2.3	-8.4	-6	-2.7	-1.9
Import price index	-8.2	1.1	3.6	3.6	-0.6	-0.6	-0.2	0.8	0	0.1	0.0

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

1/ This line was subsumed in the non-oil line above in previous SR; for 2017, this line may include errors and omissions and financial account data are not final.

Table 4. Cameroon: Monetary Survey, 2016–24

(CFAF billions, unless otherwise indicated)

	2016	2017	2018 1/				2019						2020	2021	2022	2023	2024
			Q2	CR 18/378	Act.	Act. (CCA)	Q1 Act.	Q2 CR 18/378	Q2 Proj.	Q3 Proj.	CR 18/378	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	**1,706**	**1,970**	**1,846**	**1,947**	**2,074**	**2,070**	**2,105**	**1,806**	**1,976**	**1,990**	**1,970**	**2,055**	**2,021**	**2,074**	**2,178**	**2,309**	**2,532**
Bank of Central African States (BEAC)	1,106	1,322	1,255	1,319	1,477	1,474	1,522	1,178	1,394	1,407	1,341	1,452	1,418	1,472	1,576	1,706	1,929
Of which : BEAC foreign Assets	1,406	1,770	1,714	1,836	2,007	2,004	2,045	1,731	1,960	1,966	1,930	2,055	2,064	2,118	2,222	2,320	2,490
Of which: IMF credit	-50	-191	-187	-261	-268	-268	-265	-297	-309	-301	-332	-341	-384	-384	-384	-352	-299
Commercial banks	601	648	591	628	597	595	583	628	583	583	628	603	603	603	603	603	603
Net domestic assets	**2,639**	**2,632**	**2,787**	**2,948**	**2,978**	**3,165**	**3,087**	**3,157**	**3,147**	**3,363**	**3,221**	**3,497**	**3,857**	**4,181**	**4,509**	**4,871**	**5,172**
Domestic credit	2,993	3,100	3,281	3,469	3,655	3,780	3,727	3,678	3,789	4,006	3,758	4,137	4,497	4,821	5,149	5,511	5,813
Net claims on the public sector	301	319	509	530	761	790	796	643	839	976	627	967	1,117	1,201	1,236	1,243	1,145
Net credit to the central government	419	585	654	698	882	881	907	856	1,050	1,133	883	1,092	1,108	1,179	1,234	1,272	1,202
Central Bank	-11	129	175	116	309	314	296	306	343	307	326	322	253	264	286	283	215
Claims	281	768	763	838	845	845	842	874	886	879	909	918	962	962	904	814	703
Credit under statutory ceiling	231	577	577	577	577	577	577	577	577	577	577	577	577	577	520	462	404
Counterpart of IMF credit	50	191	187	261	268	268	265	297	309	301	332	341	384	384	384	352	299
Deposits	-292	-640	-589	-722	-536	-531	-546	-568	-543	-571	-583	-596	-709	-697	-617	-531	-488
Commercial Banks	430	456	479	582	573	567	611	550	708	826	557	770	855	915	948	989	989
Claims on the Treasury	460	491	512	622	576	570	617	595	716	838	607	784	867	925	958	998	998
Deposits	-30	-35	-34	-40	-3	-4	-6	-45	-9	-11	-50	-14	-12	-10	-10	-10	-10
Deposits of other public entities	-302	-448	-480	-438	-397	-396	-388	-485	-500	-458	-533	-436	-316	-316	-336	-376	-426
Credit to autonomous agencies	22	37	66	39	33	63	36	39	46	56	39	66	73	77	77	78	84
Credit to the economy 1/	2,853	2,925	3,042	3,170	3,137	3,232	3,173	3,269	3,193	3,274	3,368	3,415	3,633	3,881	4,175	4,538	4,953
Credit to public enterprises	161	144	270	231	243	243	242	234	243	244	237	245	253	261	261	269	285
Credit to financial institutions	39	67	90	73	54	60	46	75	52	57	77	63	66	70	70	70	75
Credit to the private sector	2,653	2,714	2,683	2,866	2,839	2,929	2,885	2,960	2,899	2,972	3,054	3,106	3,314	3,550	3,844	4,199	4,593
Other items (net)	-354	-468	-494	-522	3,137	-615	-640	-522	-642	-642	-537	-640	-640	-640	-640	-640	-640
Broad money	**4,345**	**4,602**	**4,634**	**4,895**	**5,053**	**5,234**	**5,192**	**4,963**	**5,123**	**5,353**	**5,191**	**5,551**	**5,878**	**6,255**	**6,687**	**7,180**	**7,704**
Currency outside banks	905	978	903	1,037	1,074	1,056	1,014	1,007	965	1,004	1,096	1,120	1,185	1,260	1,347	1,445	1,550
Deposits	3,440	3,624	3,731	3,858	3,979	4,178	4,178	3,956	4,158	4,350	4,095	4,432	4,693	4,995	5,340	5,735	6,154
Memorandum items:																	
Net borrowing from the central bank excluding IMF	-61	-63	-12	-145	41	47	31	9	34	6	-6	-18	-132	-120	-98	-69	-84
Contribution to the growth of broad money (percentage points)																	
Net foreign assets	-14.0	6.1	...	-0.5	2.3	2.2	...	...	...	...	0.5	-0.3	-0.6	0.9	1.7	2.0	3.1
Net domestic assets	19.5	-0.2	...	6.9	7.5	11.6	...	...	...	...	5.6	6.3	6.5	5.5	5.3	5.4	4.2
Of which : net credit to the central government	16.1	3.8	...	2.5	6.5	6.4	...	...	...	...	3.8	4.0	0.3	1.2	0.9	0.6	-1.0
Credit to the economy (annual percentage change)	5.8	2.5	4.4	8.4	7.2	10.5	7.7	7.5	5.0	5.6	6.3	5.7	6.4	6.8	7.6	8.7	9.1
Credit to the private sector																	
Annual percentage change	7.2	2.3	-0.6	5.6	4.6	7.9	7.1	10.3	8.0	5.9	6.5	6.1	6.7	7.1	8.3	9.2	9.4
In percent of GDP	13.7	13.4	12.5	13.4	13.3	13.7	12.8	13.1	12.9	13.2	13.5	13.8	13.9	14.0	14.2	14.5	14.8
Broad money (annual percentage change)	5.5	5.9	5.8	6.4	9.8	13.7	12.2	7.1	10.6	13.0	6.0	6.1	5.9	6.4	6.9	7.4	7.3
Currency outside banks	12.8	8.1	9.0	6.0	9.8	8.0	9.8	11.5	6.9	4.2	5.7	6.0	5.8	6.4	6.9	7.3	7.3
Deposits	3.7	5.3	5.0	6.5	9.8	15.3	12.8	6.0	11.4	15.2	6.1	6.1	5.9	6.4	6.9	7.4	7.3
Velocity (GDP/average M2)	4.5	4.4	4.6	4.4	4.2	4.1	4.3	4.6	4.4	4.2	4.4	4.1	4.1	4.1	4.0	4.0	4.0

Sources: BEAC; and IMF staff estimates and projections.

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

Table 5. Cameroon: Financial Soundness Indicators, 2014–19

(In percent)

	Cameroon						CEMAC			
	2014	2015	2016	2017	2018	Q1-19	2014	2017	2018	Q1-19
Capital adequacy										
Capital/risk-weighted assets	11.4	10.1	9.0	10.3	10.2	11.0	13.8	15.5	16.3	17.4
Regulatory Tier 1 Capital / Risk-weighted assets 1/	9.1	9.3	7.6	8.5	9.1	...	12.6	14.5	22.1	...
Non-performing loans less provisions/Equity 1/	10.3	8.9	12.1	6.0	14.0	...	15.8	33.6	35.9	...
Capital/Assets 1/	8.4	8.3	7.5	7.8	8.6	...	9.1	14.8	14.8	...
Asset quality										
Overdue loans/total loans	12.3	12.5	14.1	13.0	15.3	16.1	11.6	17.2	21.5	21.8
Non-performing loans/total loans 1/	9.7	9.3	10.7	10.8	12.6	...	9.1	14.8	19.9	...
Large exposures (> 25 % of equity)/equity	125.3	162.1	157.1	157.8	201.0	156.0	116.4	160.5	157.0	111.0
Results and profitability										
Return on Assets (ROA)	0.8	0.7	0.7	0.7	0.8	1.6	1.0	0.6	0.9	1.6
Return on Equity (ROE)	14.8	14.1	17.0	14.0	19.0	34.0	14.9	8.5	12.0	20.0
Liquidity										
Reserves/total deposits	27.7	24.3	18.0	21.1	22.1	24.0	41.2	20.2	22.4	...
Liquid assets/Total assets 1/	23.0	23.1	23.2	24.2	29.7	...	29.5	23.4	25.5	...
Liquid assets/ST liabilities	139.5	147.5	148.7	142.9	159.9	186.9	156.3	154.3	163.0	181.0
Total deposits /Total loans	141	128.9	128.2	134.8	136.7	144.2	149.8	124.6	127.4	137.7

Sources: BEAC; COBAC; and IMF Financial Soundness Indicators.

1/ Data from the IMF Financial Soundness Indicators database. Latest available for 2018 is October.

Table 6. Cameroon: Risk Assessment Matrix[1/]

Source of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
Rising protectionism and retreat from multilateralism	High	**Medium** In the near term, escalating and sustained trade actions threaten the global trade system, regional integration, as well as global and regional collaboration. Additional barriers and the threat of new actions reduce growth both directly and through adverse confidence effects (increasing financial market volatility). In the medium term, geopolitical competition and fraying consensus about the benefits of globalization lead to economic fragmentation and undermine the global rules-based order, with adverse effects on growth and stability.	Support CEMAC regional integration on free flow of goods and people; encourage further cooperation to remove obstacles for intra-regional trade; promote export diversification.
Sharp tightening of global financial conditions: Sustained rise in risk premium	Medium	**Medium** This could be reaction to concerns about debt levels in some euro area countries; a disorderly Brexit; or idiosyncratic policy missteps in large emerging markets. This causes higher debt service and refinancing risks; stress on leveraged firms, households, and vulnerable sovereigns; capital account pressures; and a broad-based downturn.	Improve CEMAC integration and economic relationship with Nigeria; improve business environment; implement structural reforms to improve competitiveness; support inclusive growth to enhance social cohesion.
Sharp tightening of global financial conditions: Market expectation of tighter U.S. monetary policy	Low	**Medium** This could be triggered by strong wage growth and higher than-expected inflation. This causes higher debt service and refinancing risks; stress on leveraged firms, households, and vulnerable sovereigns; capital account pressures; and a broad-based downturn.	Continue necessary fiscal consolidation and structural reforms to reduce external imbalances and boost investor confidence; enhance bank supervision and regulation to reduce risk exposure; encourage development of fintech platforms to expand access to finance.
Weaker than projected global growth	Medium	**High** Structurally weak growth in key trading partners in advanced economies (European Union, US), slowdown and potential sharp adjustment in large emerging economies (China) could reduce external demand, increase capital flow fluctuations and complicate Cameroon's adjustment efforts.	Improve regional integration and facilitate intra-regional trade; implement structural reforms to improve business climate and competitiveness.
Intensification of the risks of fragmentation/security dislocation	High	**High** Intensification of the risks of fragmentation/security dislocation in parts of the Middle East, Africa, Asia, and Europe, leading to socio-economic and political disruptions.	Improve humanitarian situation of refugees and internally displaced persons (IDPs) and enhance social cohesion.
Sizable deviations from baseline energy prices	Medium	**High** Risks to oil prices are broadly balanced. Prices could rise sharply due to steeper-than-anticipated export declines in some producers, possibly prompted by political disruptions, amid supply bottlenecks. Prices could drop significantly if downside global growth risks materialize or supply exceeds expectations, possibly due to faster-than-expected U.S. shale production growth, or, over the medium term, higher OPEC/Russia production. While, on aggregate, lower oil prices would benefit global growth, they would negatively affect oil exporters.	Widen the non-oil tax base, increase efficiency of the national oil refinery (SONARA) and spur competition in the oil import sector.
Cyber attacks	Medium	**Medium** Cyber attacks on critical global financial, transport or communication infrastructure and broader private and public institutions trigger systemic financial instability or widespread disruptions in socio-economic activities.	Enhance investment in IT system and increase awareness of cyber security
Spillovers from other CEMAC countries	High	**High** Worsening economic situation of other CEMAC countries could affect Cameroon through extra pressure in the payment and banking systems.	Coordinate with other CEMAC countries to build additional buffers through fiscal consolidation and structural reforms.
Spillovers of the regional security situation	Medium	**High** A deterioration of the regional security situation would lead to an increase in displaced populations, a costlier security response, and decline of investment in affected regions.	Provide space for higher security expenditure in the budget by curtailing unproductive public investments; prepare contingency plans for refugees with UNHCR.
Reform fatigue before elections	High	**High** The upcoming elections in the fall of 2019 could lead to unexpected spending overrun and delayed implementation of structural reforms.	Strengthen budget execution control and prepare contingent measures to stay on course of the agreed fiscal consolidation and reform agenda.
Contingent risks from state-owned enterprises	Medium	**High** Contingent risks from state-owned enterprises could impose further pressures on public debt and the ongoing fiscal consolidation under the program.	Contain the risks by enhanced monitoring and timely reporting of the risks of the state-owned enterprises and developing strategies to reduce the state aid to these companies.

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

Table 7. Cameroon: External Financing Requirements, 2017–24

(CFAF billions, unless otherwise indicated)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
				Projections					
1. Total financing requirement	**28.4**	**1055.6**	**1252.2**	**1221.3**	**1178.2**	**1286.4**	**1365.7**	**1550.7**	**1677.2**
Current account deficit	613.0	541.2	792.2	774.9	777.6	814.4	861.2	882.1	917.8
Debt amortization	112.9	134.5	210.4	380.6	390.9	418.5	400.7	537.8	536.4
Commercial banks									
Corporate sector									
Repayment to the Fund	17.7	16.7	15.4	15.0	0.0	0.0	0.0	32.1	53.2
Change in gross reserves (increase=+)	-715.2	363.2	234.2	50.9	9.7	53.5	103.8	98.6	169.9
2. Total financing sources	**36.6**	**686.4**	**869.6**	**864.4**	**1134.6**	**1286.4**	**1365.7**	**1550.7**	**1677.2**
Capital transfers	36.3	64.8	86.7	27.7	29.4	31.4	33.6	36.1	38.8
Foreign direct investment (net)	324.7	458.4	375.7	404.0	475.3	522.6	566.5	614.5	634.3
Portfolio investment (net)	12.3	14.2	12.5	12.9	13.3	13.7	14.1	14.5	14.9
Debt financing	-336.8	168.9	394.7	419.9	616.6	718.8	751.6	885.7	989.2
Public sector	458.0	718.2	694.6	747.0	766.6	808.8	841.6	935.7	999.2
Short-term debt	-794.8	-549.3	-299.9	-327.1	-150.0	-90.0	-90.0	-50.0	-10.0
Errors and omissions	0.0	-19.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Total financing needs	**-8.1**	**369.2**	**382.6**	**356.9**	**43.5**	**0.0**	**0.0**	**0.0**	**0.0**
Expected financing		**201.5**	**298.2**	**268.9**					
AFDB			216.5	65.6					
WB		116.3	0.0	114.7					
France		65.5	66.0	65.6					
EU		19.7	15.7	23.0					
Residual financing gap		**167.1**	**85.2**	**87.8**	**43.5**				
IMF ECF financing		167.1	85.2	88.0	43.5				

Source: IMF staff estimates and projections.

Table 8. Cameroon: Gross Fiscal Financing Needs, 2016–24

(CFAF billions, unless otherwise indicated)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
				Projections					
A. Overall fiscal deficit (cash basis, including grants)	977.5	915.0	709.4	709.7	560.6	415.4	400.0	437.1	462.2
B. Other financing needs	394.3	570.2	289.7	461.0	420.4	445.4	484.1	653.2	647.3
Amortization (including arrears)	367.2	206.2	289.7	461.0	420.4	445.4	426.4	595.5	589.6
External	130.6	151.2	225.8	395.6	390.9	418.5	400.7	569.9	589.6
o/w Amortization (excl. IMF)	112.9	134.5	210.4	380.6	390.9	418.5	400.7	537.8	536.4
o/w Repayment of IMF credit	17.7	16.7	15.4	15.0	0.0	0.0	0.0	32.1	53.2
Domestic	236.6	55.0	63.9	65.4	29.5	26.9	25.7	25.6	0.0
o/w Amortization of T-bills	203.4	35.6	63.9	65.4	29.5	26.9	25.7	25.6	0.0
o/w Amortization of Bonds	33.2	19.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Moratorium debt									
Other									
Banking System	27.1	364.0	0.0	0.0	0.0	0.0	57.7	57.7	57.7
Repayment of statutory advances	0.0	0.0	0.0	0.0	0.0	0.0	57.7	57.7	57.7
Other deposits	27.1	364.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of VAT arrears									
Other (including restructuring costs)									
Arrears on domestic amortization (reduction)									
Bond amortization		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C=A+B Total financing needs	1371.7	1485.2	999.0	1170.6	981.0	860.8	884.0	1090.3	1109.5
D. Identified sources of financing	1312.9	1484.3	999.3	813.7	937.4	860.8	884.0	1090.3	1109.5
External	453.0	919.7	1035.8	747.0	766.6	808.8	841.6	935.7	999.2
Drawing	453.0	919.7	1035.8	747.0	766.6	808.8	841.6	935.7	999.2
o/w Project financing (ext.)	453.0	741.5	710.8	747.0	766.6	808.8	841.6	935.7	999.2
Domestic	859.9	564.6	-36.5	66.8	170.8	52.0	42.5	154.6	110.3
Banking System	654.7	565.7	325.4	138.4	72.1	71.4	112.5	127.4	40.7
BEAC Statutory advances	93.1	345.9	0.4	0.0	0.0	0.0	0.0	0.0	0.0
IMF withdrawal		158.4							
Government deposits	474.6	0.0	140.0	-74.9	-111.4	13.7	79.9	86.6	42.8
Bank loans	82.7	30.7	117.6	203.3	85.5	59.8	32.6	40.8	0.0
Other bank financing	4.3	30.7	67.4	10.0	98.0	-2.0	0.0	0.0	-2.2
Other non-bank financing	205.2	-1.1	-361.9	-71.6	98.7	-19.5	-70.0	27.2	69.7
Privatization receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E=C-D Financing gap	58.8	0.0	-0.3	356.9	43.5	0.0	0.0	0.0	0.0
Errors and omissions	59.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
F. Exceptional external financing		0.0	0.0	268.9	0.0	0.0	0.0	0.0	0.0
Multilateral		0.0	0.0	203.3	0.0	0.0	0.0	0.0	0.0
Bilateral		0.0	0.0	65.6	0.0	0.0	0.0	0.0	0.0
E-F Residual financing needs									
IMF -ECF		0.0	0.0	88.0	43.5	0.0	0.0	0.0	0.0

Source: IMF staff estimates and projections.

Table 9. Cameroon: Proposed Schedule of Disbursements under the ECF Arrangement, 2017–20

	Date of Availability	Amount (SDR Million)	Percent of quota 1/	Conditions for Disbursement
1	6/26/2017	124.2	45	Executive Board approval of the ECF arrangement.
2	12/15/2017	82.8	30	Observance of continuous and end-June 2017 performance criteria, and completion of the first review.
3	6/30/2018	55.2	20	Observance of continuous and end-December 2017 performance criteria, and completion of the second review.
4	12/15/2018	55.2	20	Observance of continuous and end-June 2018 performance criteria, and completion of the third review.
5	6/15/2019	55.2	20	Observance of continuous and end-December 2018 performance criteria, and completion of the fourth review.
6	12/15/2019	55.2	20	Observance of continuous and end-June 2019 performance criteria, and completion of the fifth review.
7	5/31/2020	55.2	20	Observance of continuous and end-December 2019 performance criteria, and completion of the sixth review.
	Total	483.0	175	

Source: IMF staff calculations.

1/ Cameroon's current quota is SDR 276.0 million, and SDR 326.68 million was outstanding as of March 31, 2019.

Table 10. Cameroon: Capacity to Repay the Fund, 2016–33

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
				Projections														
Fund obligations based on existing credit (SDR millions)																		
Principal	21.5	20.7	19.9	9.3	-	-	-	41.4	63.5	63.5	63.5	63.5	22.1	-	-	-	-	-
Charges and interest	-	0.6	0.4	1.4	1.9	1.8	1.8	1.8	1.9	1.8	1.8	1.8	1.9	1.8	1.8	1.8	1.9	1.8
Fund obligations based on existing and prospective credit (In millions of SDRs) 1/																		
Principal	21.5	20.7	19.9	9.3	-	-	-	41.4	69.0	91.1	96.6	96.6	55.2	27.6	5.5	-	-	-
Charges and interest	-	0.6	0.4	1.4	1.9	1.8	1.8	1.8	1.9	1.8	1.8	1.8	1.9	1.8	1.8	1.8	1.9	1.8
Total obligations based on existing and prospective credit																		
SDR millions	21.5	21.3	20.3	10.7	1.9	1.8	1.8	43.2	70.9	92.9	98.4	98.4	57.1	29.4	7.4	1.8	1.9	1.8
CFAF billions	17.7	17.2	15.7	8.5	1.5	1.4	1.4	33.6	54.6	71.7	75.9	75.9	44.0	22.7	5.7	1.4	1.4	1.4
Charges and interest	-	0.5	0.3	1.1	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Principal	17.7	16.7	15.4	7.4	-	-	-	32.1	53.2	70.2	74.5	74.5	42.6	21.3	4.3	-	-	-
Percent of government revenue	0.6	0.6	0.5	0.2	0.0	0.0	0.0	0.7	1.1	1.3	1.3	1.2	0.6	0.3	0.1	0.0	0.0	0.0
Percent of exports of goods and services	0.5	0.5	0.4	0.2	0.0	0.0	0.0	0.8	1.2	1.5	1.5	1.4	0.8	0.4	0.1	0.0	0.0	0.0
Percent of debt service 2/	9.7	7.4	6.0	2.8	0.5	0.4	0.4	6.4	10.0	12.0	15.0	14.4	8.4	4.2	1.0	0.2	0.2	0.2
Percent of GDP	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Percent of quota	7.8	7.7	7.4	3.9	0.7	0.7	0.7	15.7	25.7	33.7	35.7	35.7	20.7	10.7	2.7	0.7	0.7	0.7
Percent of gross reserves	1.3	1.0	0.8	0.4	0.1	0.1	0.1	1.4	2.2	2.7	2.7	2.5	1.4	0.7	0.2	0.0	0.0	0.0
Outstanding Fund credit																		
SDR millions	59.4	245.7	336.2	427.8	483.0	483.0	483.0	441.6	372.6	281.5	184.9	88.3	33.1	5.5	0.0	0.0	0.0	0.0
CFAF billions	49.0	198.4	259.5	341.1	380.9	378.8	376.4	342.7	287.3	217.1	142.6	68.1	25.5	4.3	0.0	0.0	0.0	0.0
Percent of government revenue	1.7	6.5	7.5	9.3	9.8	9.2	8.5	7.3	5.7	4.0	2.4	1.1	0.4	0.1	0.0	0.0	0.0	0.0
Percent of exports of goods and services	1.3	5.2	6.4	8.4	9.1	9.1	8.9	7.9	6.3	4.6	2.9	1.3	0.5	0.1	0.0	0.0	0.0	0.0
Percent of debt service 2/	26.7	84.9	99.0	111.4	121.4	116.4	107.2	65.4	52.4	36.3	28.1	12.9	4.9	0.8	0.0	0.0	0.0	0.0
Percent of GDP	0.3	1.0	1.2	1.5	1.6	1.5	1.4	1.2	0.9	0.7	0.4	0.2	0.1	0.0	0.0	0.0	0.0	0.0
Percent of quota	21.5	89.0	121.8	155.0	175.0	175.0	175.0	160.0	135.0	102.0	67.0	32.0	12.0	2.0	0.0	0.0	0.0	0.0
Net use of Fund credit (SDR millions)	-21.5	186.3	90.5	91.6	55.2	0.0	0.0	-46.9	-69.0	-91.1	-96.6	-96.6	-49.7	-27.6	-5.5	0.0	0.0	0.0
Disbursements	-	207.0	110.4	110.4	55.2	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayments and repurchases	21.5	20.7	19.9	18.8	-	-	-	46.9	69.0	91.1	96.6	96.6	49.7	27.6	5.5	-	-	-
Memorandum items: (CFA F billions)																		
Nominal GDP	19,345	20,328	21,382	22,538	23,864	25,363	27,049	28,971	31,087	33,357	35,795	38,422	41,251	44,298	47,578	51,110	54,914	59,007
Exports of goods and services	3,710	3,794	4,063	4,074	4,192	4,166	4,216	4,365	4,531	4,750	4,991	5,286	5,605	5,951	6,325	6,756	7,225	7,736
Government revenue	2,866	3,040	3,451	3,649	3,878	4,123	4,410	4,697	5,069	5,454	5,900	6,358	6,853	7,422	8,010	8,689	9,403	10,219
Debt service 2/	183	234	262	306	314	325	351	524	548	597	507	528	522	545	561	585	629	680
CFA francs/SDR (period average)	823.9	807.4	771.7	797.2	788.7	784.3	779.2	776.0	771.1	771.1	771.1	771.1	771.1	771.1	771.1	771.1	771.1	771.1

Source: IMF staff estimates and projections.

1/ On December 4, 2018 the IMF Executive Board approved an extension of the modified interest rate setting mechanism which effectively sets interest rates to zero on ECF and SCF through June 30, 2019 and possibly longer. The Board also decided to extend zero interest rate on ESF until end-June 2019 while interest rate on RCF was set to zero in July 2015. Based on these decisions and current projections of SDR rate, the following interest rates are assumed beyond June 30, 2019: projected interest charges between 2019 and 2020 are based on 0/0/0/0.25 percent per annum for the ECF, SCF, RCF and FINFRESF, respectively, and beyond 2020 0/0.25/0/0.25 percent per annum.

2/ Total debt service includes IMF repurchases and repayments.

Annex I. Fuel Pricing and Subsidies

1. The structure governing the domestic price of oil-related products is complex. The domestic price structure includes several components, with two main players, the State Refinery Company (SONARA), and the marketers. SONARA imports light crude oil, which is refined and distributed in the domestic market; while the marketers import refined fuel products. The import price stands as the most important component, representing on average ⅓ of the domestic retail price (Table 1). SONARA benefits from a producer subsidy which constitutes a fixed mark-up. Following an 82 percent increase in early-2018, the SONARA mark-up remained unchanged, irrespective of the import price movements. In addition, SONARA receives a post-tax subsidy to compensate for the gap between the cost of refining the imported crude oil and the retail price. Ad valorem (VAT and customs duties) and excise taxes (special tax on petroleum products, TSPP) are important. Following changes in mid-2014, and early-2017, the TSPP has been kept flat since, and represented 10 percent of the pump price on average over the period 2014–18.

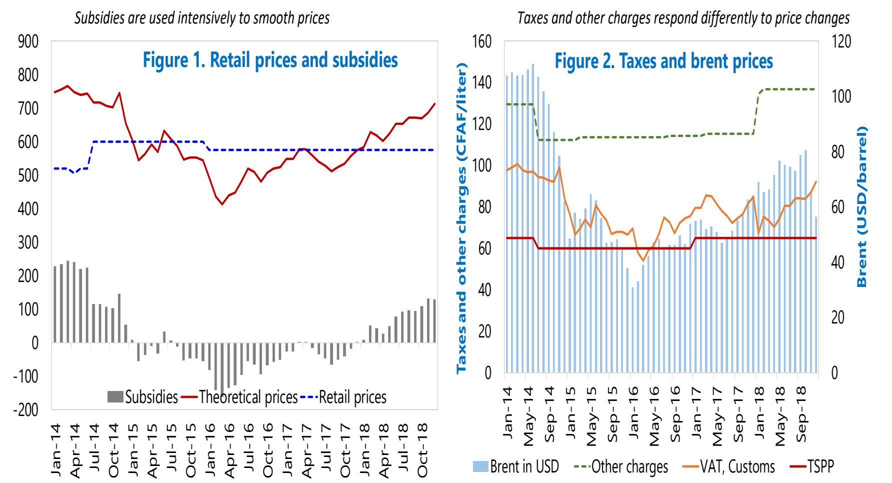
Table 1. Cameroon: Diesel Price Structure 2018–19

	2018			2019		
	Jan.	Jun.	Dec.	Jan.	Feb.	Mar.
1- Import prices	290	324	364	314	288	309
2- SONARA mark-up	26	48	48	48	48	48
3- Taxes	151	165	175	162	155	161
VAT	72	83	91	81	76	80
Customs	14	16	18	16	14	15
TSPP	65	65	65	65	65	65
4- Transportation fees	62	65	65	65	65	65
5- Marketers fees	40	40	40	40	40	40
6- Retailers mark-up	13	13	13	13	13	13
7- Theoretical prices	583	654	704	641	609	635
8- Subsidies	-8	-79	-129	-66	-34	-61
9- Pump prices	575	575	575	575	575	575

Sources: Cameroonian authorities. For simplicity, we present only diesel prices which averaged more than 52 percent of fuel product consumption in Cameroon over the period 2014-18. Domestic retail prices and pump are used interchangeably. Gasoline and kerosene display the same price structure.

2. Additional fixed charges further complicate the price structure. The transport equalization fees, the marketers' charges and retailers' fees and other charges weigh significantly on the domestic retail prices. The transport equalization fee is levied by the Fuel Price Stabilization Fund (CSPH). Through imports, the CSPH fills the gap to meet the domestic demand of fuel products and ensures equalization of retail prices across the country. Marketers' charges and retailers' mark-ups, which include financial and

Figure 1. Cameroon: Diesel Price Structure 2018–19



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

other general charges have remained unchanged since July 2014.

3. Domestic fuel prices have remained fixed, with only a step increase in late 2014 and a small decline in early 2016 (Chart 1). Though with persistent delays, import prices reflect movements in world petroleum products' prices, as well as exchange rate movements. However, domestic retail prices remain administratively set. They were increased in mid-2014 by 15 percent, and reduced subsequently by 4 percent in early 2016, and have remained flat since.

4. Subsidies are used to keep domestic retail prices unchanged. Contrary to theoretical prices which exclude consumer subsidies, retail prices are administratively set. During episodes of high international prices, Q1-Q3 2014, the authorities relied extensively on fuel subsidies to dampen the effects of the price increase on retail prices. As international prices entered a downward trend in late-2014, domestic pump prices were flattened through substantially lower subsidies. With the subsequent rise in international prices, consumer subsidies re-surfaced throughout 2018, effectively maintaining retail prices below the theoretical prices. Fuel product subsidies represented ¼ of total transfers and subsidies (4.5 percent of current spending, and 0.5 percent of GDP) in 2017–18. At the same time, with crude oil imports prices a significant part of SONARA's operating costs and in addition to other inefficiencies, with fixed retail prices SONARA incurs operating losses when Brent prices rise above US$62 per barrel, triggering the need for government transfers (compensating SONARA for validated losses incurred owing to the wedge between cost-recovery fuel prices and fixed retail prices). These subsidies cost the state an additional 0.3 percent of GDP in each 2017 and 2018.

5. The still relatively low international oil price level offers an opportunity to reform the fuel pricing mechanism.[1] The reform would consist of phasing-in gradual pass through of changes in international oil prices to domestic retail prices, and would follow the adoption of a clear reform plan, combined with a widespread communication campaign and accompanying social measures to shield the most vulnerable from abrupt changes in the domestic retail prices. The following scenarios could guide the authorities in reforming the pricing mechanism. Our benchmark is the price structure observed in the first quarter of 2019 (Jan-Mar). The three alternative scenarios assume an elimination of post-tax subsidies, and allow frequent, though limited, changes in the pump prices. In each scenario, the net fiscal contribution is defined as the difference between taxes (VAT, customs and excises) and producer and post-tax subsidies, including subsidies to SONARA.

- Scenario 1: considers the current price structure and assumes no major reform. Pump prices and remaining parameters are kept unchanged. Under this scenario, the breakeven Brent price that would allow a de facto elimination of subsidies, while keeping the pump prices and remaining parameters unchanged correspond to US$45 per barrel, against a current price of US$62 per barrel. The net fiscal contribution is estimated at CFAF 103 per liter.
- Under scenario 2, the authorities keep the fixed SONARA mark-up, and the TSPP. Changes in import prices are reflected in changes in the transport equalization fee, marketers' charges and

[1] IMF Country Report No. 15/332 offers detailed discussion on options (clear communication strategy, reforming the tax regime, ensuring SONARA financial viability, and liberalizing the import market, among others) to reforming the fuel pricing mechanism in Cameroon.

retailers' mark-up. This change will also be reflected in the pump prices, with an average monthly change of 4 percent. The net fiscal contribution is estimated at CFAF 110 per liter.

- Scenario 3 assumes a fixed TSPP. SONARA's mark-up is subject to changes reflecting changes in international prices. The month-to-month variation in pump prices is limited to ±5 percent. All remaining parameters respond to fluctuations of import prices. Pump prices vary by 2 percent on average over Q1-2019, and the net fiscal contribution amounts to CFAF 116 per liter.

6. **While scenario 1 may seem unrealistic, given that international oil prices (US$62 per barrel) are projected to be 40 percent above the breakeven price (US$45 per barrel); scenarios 2 and 3 seem attractive**. The net fiscal contribution is doubled compared to the current administered price scenario, and the monthly change in domestic retail prices can be capped below ±5 percent. Reforming the administered pricing mechanism will help the authorities to maximize the contribution of fuel products taxation to the budget, while avoiding abrupt pump prices' changes.

Table 2. Cameroon: Diesel Price Structure and Alternative Scenario 2018–19

(CFAF per liter, unless otherwise noted)

	2018	2019			Scenario 1			Scenario 2			Scenario 3		
		Current prices			***Breakeven prices***			***Fixed TSPP and Markup***			***Fixed TSPP***		
	Dec.	Jan.	Feb.	Mar.	Jan.	Feb.	Mar.	Jan.	Feb.	Mar.	Jan.	Feb.	Mar.
1- Import prices	364	314	288	309	258	259	258	314	288	309	314	288	309
2- SONARA mark-up	48	48	48	48	48	48	48	48	48	48	41	40	50
3- Taxes	175	162	155	161	151	150	151	159	153	163	161	155	161
VAT	91	81	76	80	71	71	71	80	75	81	81	75	81
Customs	18	16	14	15	16	14	15	14	13	17	16	14	15
TSPP	65	65	65	65	65	65	65	65	65	65	65	65	65
4- Transportation fees	65	65	65	65	65	65	65	56	55	65	40	56	21
5- Marketers fees	40	40	40	40	40	40	40	36	36	45	36	36	45
6- Retailers mark-up	13	13	13	13	13	13	13	12	12	15	12	12	15
7- Theoretical prices	704	641	609	635	575	575	575	625	591	644	604	586	601
8- *Subsidies*	*-129*	*-66*	*-34*	*-61*	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***
9- Pump prices	**575**	**575**	**575**	**575**	**575**	**575**	**575**	**625**	**591**	**644**	**604**	**586**	**601**
Memo items													
Brent (USD per barrel)	*56.5*	*59.3*	*62.5*	*65.0*	*45.0*	*45.2*	*45.0*	*59.3*	*62.5*	*65.0*	*59.3*	*62.5*	*65.0*
Change in pump prices	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*9%*	*-5%*	*9%*	*5%*	*-3%*	*3%*
Net fiscal contribution	*-2.3*	*47.8*	*73.7*	*52.4*	*103.4*	*102.1*	*103.2*	*110.9*	*105.4*	*114.8*	*120.8*	*115.1*	*111.5*

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

7. **The authorities have initiated steps to revise and simplify the domestic fuel price structure.** The planned measures consist of investigating options to reduce the transport equalization fee, and perhaps other liberalized segments of the price structure, while keeping pump prices fixed; and reducing the margins perceived by the public actors of the price structure (the CSPH, public storage facility while ensuring the transfer of any surpluses to the treasury), while taking additional measures to reduce SONARA's operating costs. Changes to the petroleum excise tax would increase the volatility of receipts related to fuel products taxation and are not advisable. The authorities have sought World Bank support to (i) conduct a broader, and in-depth analysis of the price structure; (ii) identify better targeted subsidies to protect the poor and vulnerable; and (iii) support the preparation of a communication campaign to sensitize the public to the objectives and impact of the reform.

Annex II. The Treasury Single Account Reform in Cameroon

1. **Easing the recurrent liquidity tensions and emergence of domestic arrears is an important objective of the authorities' economic reform program supported by the ECF**. Along with enhanced cash management based on credible commitment and procurement plans, the Treasury Single Account (TSA) is an important tool to ensure that the Treasury has access to all the available government resources and doesn't incur unnecessary borrowing costs.

2. **At present, the Treasury account at the BEAC is not an effective TSA**, as there are 28 other government accounts at the BEAC with no direct links between themselves, and a large number of accounts of public entities in commercial banks.

3. **Starting in 2017, the authorities have already launched an inventory to identify the accounts held by public entities in commercial banks, outside the treasury network**. At end-2018, the inventory identified more than 2,000 accounts held by public entities—excluding SOEs—in 10 out of the country's 14 commercial banks, with CFAF 390 billion (1.8 percent of GDP) of overnight and term deposits. A large number of accounts (25 percent of the accounts, and 35 percent of the deposits) is held by public entities, in particular the *EPA*. Around ⅓ of the accounts and the deposits are related to capital spending, including accounts for counterpart funds and externally and domestically-financed investments. Accounts and deposits held by committees, special funds such as the road fund, and special accounts are also sizable. The authorities are in the process of completing the inventory and identifying accounts that should be closed as a priority.

Table 1. Cameroon: Accounts held by Public Entities in Commercial Banks, 2018

Category	Number of accounts	(in %)	Account balances (in CFAF billion)
Capital spending	704	29.6	112.6
Counterpart funds	349	14.7	49.6
Domestic investment	257	10.8	29.2
Foreign-financed projects	98	4.1	33.8
Public entities	556	23.4	137.2
Presidency	3	0.1	0.2
Other public administrations	91	3.8	23.6
Administrative public entities (EPA)	462	19.4	113.4
Subnational entities	357	15.0	6.1
Defense and Security	21	0.9	9.4
Health and education	266	11.2	3.1
Special accounts	74	3.1	65.1
Committees	39	1.6	0.8
Road fund and other funds	41	1.7	13.4
Debt and on-lending	7	0.3	2.5
Embassies and international org.	13	0.5	0.2
Others	303	12.7	39.4
Total	**2381**	**100.0**	**389.8**

Sources: Cameroonian authorities and IMF staff estimates

Table 2. Cameroon: Idle Rsources and Closed Accounts, 2018

Category	Idle resources		Closed accounts	
	Nb. of accounts	Amount (in CFAF bil.)	Nb. of accounts	Amount (in CFAF bil.)
Capital spending	351	21.8	126.0	3.1
Counterpart funds	140	11.2	32.0	2.1
Domestic investment	185	10.3	78.0	0.8
Foreign-financed projects	26	0.3	16.0	0.2
Special accounts	11	0.0		
Onlending to other public entities	7	22.7		
Total	**369**	**44.5**	**126**	**3.1**

4. **In particular, the authorities have started by working on identifying idle resources.** Following the inventory, authorities have identified and closed 126 accounts held by the public debt agency,

and accounts holding domestic resources for capital spending. These correspond to accounts i) that have remained inactive over the last three years, ii) accounts with current spending resources, iii) accounts with completed projects, and iv) projects with no financing agreements, among others. The corresponding balances have been transferred to the TSA. The authorities have committed to identify all remaining accounts to be transferred to the TSA and to communicate with account holders by September 2019, to allow the closure and transfer of the balance of these accounts to the TSA by end-December 2019. This preliminary work will help ease the liquidity tensions, improve cash management, and facilitate the next steps of the gradual transition toward a full TSA.

Key Implementation Steps

5. To ensure the success of the reform, a clear strategy and action plan should be developed for the full implementation of the TSA. Key intermediate steps include:

- Sign with the BEAC a TSA management agreement to establish a TSA with subaccounts (with null balances) following Article 67 of the 1st CEMAC PFM Directive. Ensure that the BEAC can technically provide the situation of the CUT and subaccounts on a daily basis (by end-September 2019).
- Analyze options to consolidate the existing 28 government accounts at the BEAC;
- Prepare a calendar ensuring the gradual transfer of cash balances in commercial banks to the TSA will avoid disruption to the financial system, ending in December 2019 with the full transfer of remaining balances and closing of the accounts in commercial banks. Continue to prohibit opening of new accounts.

Supporting Cash Management Reforms

- Implement credible and realistic commitment and procurement plans, on which the Treasury plan can be based
- Enhance Treasury management, by extending the role of the Treasury committee to include budget regulation, preparing weekly Treasury and commitment plans, and continuing to reduce the balances of correspondent accounts.

Annex III. The Macroeconomic Impact of Enhancing Public Investment Efficiency

Background

1. **Government policy continues to be guided by the long-term development objective of Cameroon becoming an emerging-market economy by 2035**. To achieve this objective, the state prioritized public investment in infrastructure and non-oil sectors by increasingly relying on non-concessional sources to finance projects (see Figure 1). This has led to a rapid buildup of public debt, which increased from 12.1 in 2010 (post HIPC debt relief) to 35.6 percent of GDP at end-2018, earning Cameroon a high risk of debt distress rating. With a range of external and domestic risks affecting the medium-term outlook, there is continued need to stabilize the economy, prioritize public investment and cap non-concessional external financing of projects. This annex presents several scenarios to highlight (a) the benefits from continuing reforms that are geared towards removing inefficiencies and prioritizing high-return projects and (b) payoffs from rebalancing the mix of public investment financing away from non-concessional sources.

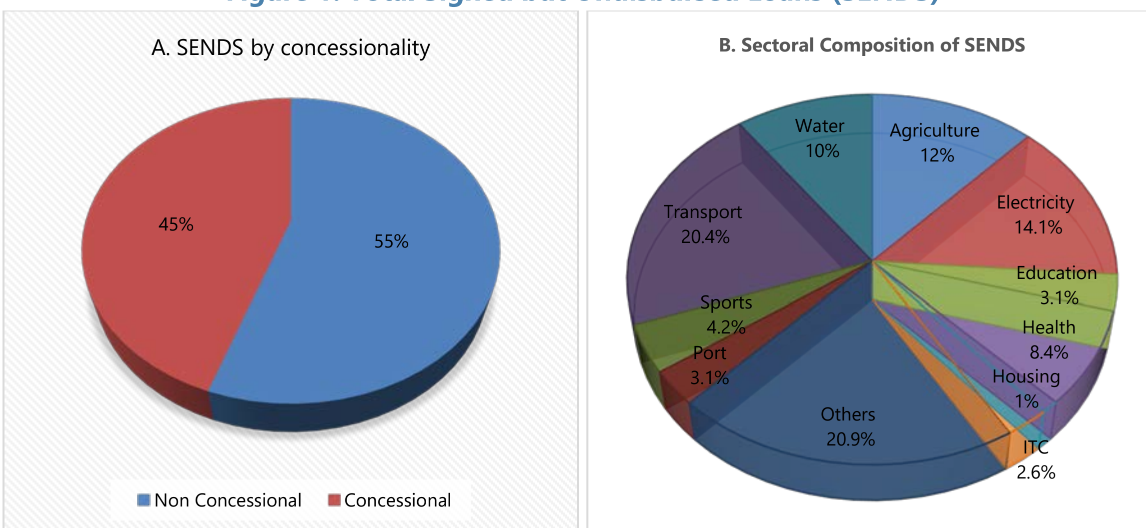
2. **The debt-investment growth model is used to measure the gains from public investment reforms and favorable financing strategies**. DIG captures the investment-growth nexus in economies where structural investment efficiencies and absorptive capacity constraints determine the effectiveness of investment. It provides a suitable framework for understanding the key trade-offs facing policymakers with respect to a wide array of development financing instruments. The model frames debt sustainability analysis in a framework that incorporates differences in the efficiency of public spending, the response of the private sector to the investment plan, and the ability of the government to adjust taxes and spending (Buffie 2012). It also helps to inform policy decisions on investing resource revenues to boost growth while maintaining fiscal sustainability and macroeconomic stability.

3. **The framework is particularly suited to developing economies like Cameroon where removing inefficiencies in the public investment process is likely to have substantial growth implications**. A detailed analysis of Cameroon's fiscal multipliers found a limited impact of spending on growth (IMF 2018). A 2016 Public Investment Management Assessment (PIMA) estimates the public investment efficiency gap at 51 percent, almost double the average efficiency gap of other low income and emerging market economies. Prominent were weaknesses in ex-ante project appraisal and selection which lead to the inclusion of immature projects in the budget; lack of transparency in the execution phase, and poor accounting of investment assets. These gaps manifest in cost overruns and ill-prioritization of investments projects. Cameroon's investment budget overstates its contribution to infrastructure development as a large share of public investment under the government's classification may not result in the accumulation of public capital and, even when properly classified, investment spending includes high administrative costs that point to various inefficiencies (Shang 2018). The WB-IMF PIMA assessment made several recommendations including binding documents specifying project selection criteria, and better-

defined land expropriation procedures and landowner compensation strategies that facilitate speedy implementation of infrastructure projects.

4. **The model is calibrated to Cameroon using specific macroeconomic and microeconomic data**. Public investment efficiency is set at 50 percent, in line with the findings in Cameroon's PIMA report. The initial rate of return on public investment is set at 18.3 percent based on the median rate of return (at appraisal) on Cameroon's public investment projects financed by the World Bank and evaluated by the Independent Evaluation Group. The median rate of return at completion is slightly lower at 14.3 percent (IEG 2018). Total public debt is estimated at 33.4 percent at end 2017 to account for commitments contracted or guaranteed.

Figure 1. Total Signed but Undisbursed Loans (SENDS)



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

Baseline Scenario

5. **The baseline scenario assumes implementation of fiscal and external consolidation and gradual completion of infrastructure projects**. Public investment remains steady at 6.8 percent of GDP in the medium term and public investment efficiency improvements are not forthcoming. New public investment projects are financed mainly through non-concessional loans.

Macroeconomic Implications of Policy Reforms

6. **Model simulations highlight the macroeconomic outcomes from improvements to public investment efficiency and project prioritization when there is no scale-up**. Figure 2 highlights the benefits from these twin reforms when new public investment is financed by non-concessional financing. While the no-reform baseline is depicted in blue, orange and green lines represent reform responses when moving towards moderate and higher levels of efficiency and returns.

7. Under the 'twin-reform' scenario, public investment efficiency gradually improves from current levels (50 percent) to moderate (65 percent) and to emerging market levels (75 percent) so that each dollar of public investment produces ($0.5, $0.65, and $0.75) productive public capital. Figure 2 shows the advantages of progressive improvements to public investment efficiency assuming non-concessional financing is used to maintain public investment around 6.8 percent of GDP. As simulation results in Figure 1 show, if the twin-reforms manage to improve average investment returns to 30.3 from 18.3 percent, then the cumulative gains in private consumption and investment by 2034 could each be as around 2 percent higher, while GDP gains are modest. These results reinforce the need to prioritize high yielding investment on roads and power generation infrastructure while ensuring the quality of projects at entry is maintained through completion. The debt burden remains relatively stable.

The Macro-Implications of Favorable Financing Options

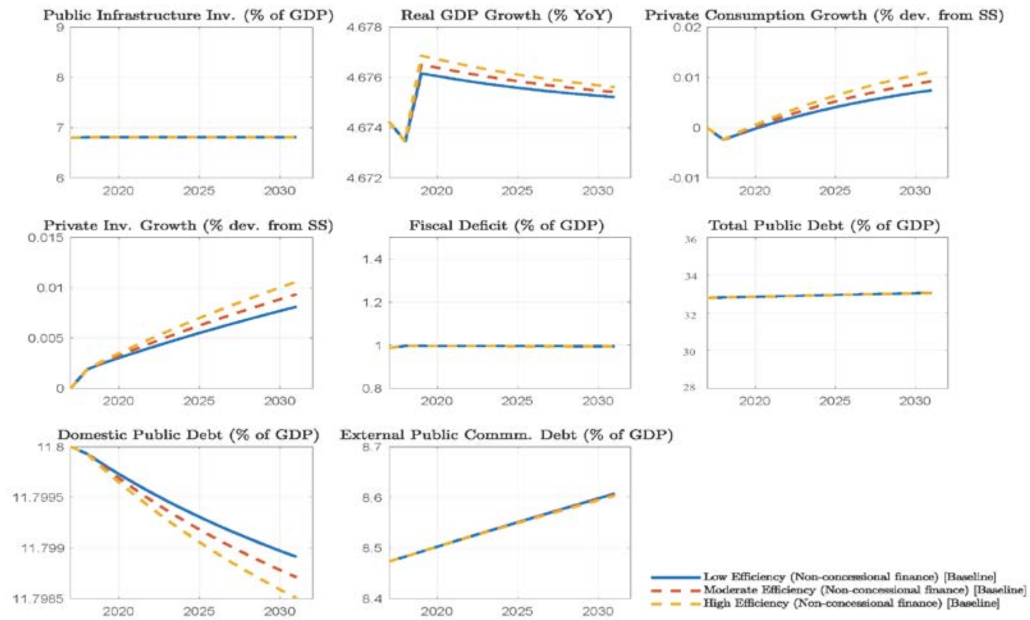
8. The impact of public investment policy reforms hinges on favorable financing options as the following simulations show. Figures 3 examines the macroeconomic implications of a hypothetical public investment scaling-up (2 percent GDP) over the simulation period when it is financed entirely by concessional loans. As previously, orange and green lines represent reform responses, while the no-reform baseline is depicted by the solid blue line.

9. As expected, a 'twin-reform strategy' of prioritizing high-return projects and efficiency improvements has high growth payoffs should the government decide to scale-up public investment (2 percent of GDP) financed with entirely from concessional sources (see green line). If the twin-reforms manage to improve average returns to public investment to 30.3 percent from 18.3 percent, then a modest increase in public investment (2 percent of GDP) produces much higher growth rates over a ten-year period following the scaling up compared to the hypothetical baseline (blue). The benefits from prioritizing high return projects and removing inefficiencies is magnified when public investment is scaled-up, and financing options are favorable. As figure 2 shows, public debt levels gradually fall when concessional loans are used to finance this scale-up. The choice of high return project and efficiency improvements crowd in private investment and lead to higher growth (green line). Such broad-based reforms magnify the impact of scaling up public investment especially under favorable financing conditions. Private consumption and investment levels are 26 percent and 16 percent higher by 2034 at higher efficiency and return, while GDP is 4.8 percent higher.

Conclusion

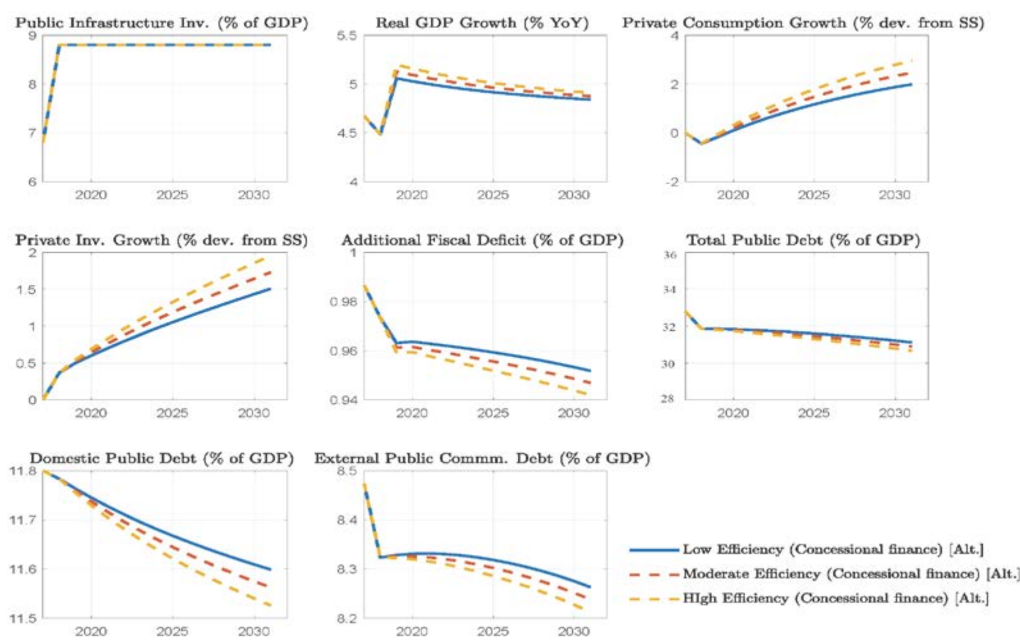
10. Public investment reforms have a substantial payoff which is further enhanced by improvements in new borrowing's financing terms. The simulation results highlighted sustainable growth dividends from public investment reforms geared towards removing inefficiencies and prioritizing high return projects with the potential to crowd in private investment. The beneficial effects of these reforms are magnified in the hypothetical case where a marginal scaling up is financed by concessional loans. The debt burden created from a moderate scale-up is relatively small when backed by efficiency and return improving public investment reforms.

Figure 2. The Macro-Benefits from 'Twin-Reforms' With No-Scaling Up



Source: IMF staff estimates and projections.

Figure 3. The Macro-Benefits from 'Twin-Reforms' With Modest Scaling Up



Source: IMF staff estimates and projections.

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Appendix I. Letter of Intent

June 17, 2019

Madame Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street N.W.
Washington, D.C. 20431
U.S.A.

Madam Managing Director:

The government of Cameroon is continuing to implement the measures laid out in its economic and financial program supported by the three-year arrangement under the International Monetary Fund's Extended Credit Facility (ECF) for the period 2017-20 under difficult economic and security conditions.

Cameroon's performance under the ECF remains broadly satisfactory. All but two quantitative criteria have been observed, and all but one indicative targets have also been met. Specifically, the floor for the non-oil primary balance was met despite the acceleration of externally financed spending beyond the envelopes in the 2018 revised budget law, as non-oil revenues also largely exceeded projections. However, the ceiling on net government financing from the BEAC (excluding IMF financing) was not met, primarily owing to sizeable end-year payments for Treasury correspondents, which also led to a significant increase in expenditure float. The continuous criterion on the non-accumulation of external arrears was not met. The debt service payment in the amount of CFAF 52 billion owed to China in January 2019 was delayed to April as the government planned to include this payment in the discussions under way with China on the restructuring of the debt. Almost half of the indicative targets for March 2019 were met, as performance was influenced by end-2018 outturn and weak economic activity in the first quarter. All of the indicative benchmarks were met, with the exception of the ceiling on Société nationale des hydrocarbures (SNH) direct interventions, which was exceeded owing to security-related emergencies. The implementation of the structural reforms included in the program has continued and eight of the eleven structural benchmarks for December 2018 to May 2019 were met.

The government commits to successfully implementing the program for the remainder of the year and respecting the fiscal consolidation objectives while rebuilding its deposits at the BEAC. To this end, prior actions have been implemented to correct the deviations observed in 2018 in regard to the quantitative target on the net accumulation of government deposits at the BEAC. Structural reforms aimed at enhancing transparency and fiscal discipline are also planned. Based on the 2018 outturn and the continued acceleration in the implementation of externally financed projects already

under way, a supplementary budget to revise the 2019 budget law in accordance with the program objectives and to take better account of the government's current priorities has been prepared and submitted to Parliament for ratification. This supplementary budget includes total revenues that are slightly above the initial projections. The favorable oil revenue outlook is explained by the expected increase in oil production. With regard to non-oil revenue, the implementation of administrative measures, including the strengthening of the tax collection and auditing functions, as well as the implementation of the measures included in the 2019 budget law, should allow to slightly exceed current targets. Combined with a reallocation of current expenditure and domestically financed capital expenditure, these revenue margins should allow to increase externally financed investments for priority projects currently under way. With a larger proportion of external financing, it will be possible to continue to implement the plan to clear domestic arrears and to reduce the balances of correspondent accounts, while increasing the Treasury's deposits at the BEAC. To enhance fiscal transparency and discipline, a budget execution report identifying the discrepancies between execution and the initial budget law has been published, and a decree setting out the budget calendar and reducing the complementary period to one month has been signed.

The government is requesting waivers for the nonobservance of the quantitative performance criterion at end-December 2018 on the ceiling on net central government financing from the BEAC, excluding International Monetary Fund (IMF) disbursements, given the strong corrective measures taken to rebuild fiscal buffers, and for the nonobservance of the continuous criterion on the accumulation of external arrears, as these arrears have been cleared. The government is also requesting the modification of the quantitative end-June performance criteria on (i) the ceiling on non-concessional external debt disbursements to allow for the execution of ongoing priority projects and the disbursement of the balance of funds requested for projects in 2018; (ii) the ceiling on net government financing by the BEAC; (iii) the ceiling on net government domestic financing; and (iv) the floor on the non-oil primary deficit, as indicated in Table 1 of the MEFP, as well as the modification of the definition of the continuous PC on non-concessional borrowing and of the IT on the net accumulation of domestic payment arrears. Finally, the Government is requesting the modification of some end-June and end-September indicative targets, as indicated in Table 1 of the MEFP.

The government undertakes to respect the reprofiled program quantitative performance criteria and indicative targets for end-June, as well as the performance criteria and indicative targets for December 2019. Close monitoring of budget execution, strict control over to exceptional spending procedures in the form of provisional commitments and cash advances, as well as the identification of contingent revenue and expenditure measures will make it possible to meet the revised fiscal targets for 2019. The government is also committed to make up for the delay in the implementation of the structural benchmarks and ensure that all measures planned for the remainder of the year are implemented.

The government will continue to implement policies that are consistent with maintaining regional external stability, which requires the rebuilding of BEAC foreign reserves. To this end, the government supports the efforts of the BEAC and COBAC to improve compliance with the new

foreign exchange regulations. It will ensure compliance with the requirement to repatriate export proceeds including oil revenues.

The Memorandum of Economic and Financial Policies (MEFP) attached to this Letter of Intent describes the economic and financial situation in 2018-19, sets out the economic and financial policies that the government intends to implement during the remainder of 2019, and establishes the quantitative performance criteria and indicative targets, as well as structural benchmarks and structural reforms through end-December 2019.

Bearing in mind the program achievements to date and the commitments set out in the MEFP, the government requests the conclusion of the fourth review under the ECF arrangement and the disbursement of SDR 55.2 million.

The government is convinced that the policies set out in the MEFP will enable it to achieve the program objectives and commits to take any additional measures to that end. The Cameroonian authorities will consult with the IMF on any such additional measures and in advance of any revisions to the policies included in the MEFP, in accordance with the IMF's policies on such consultations. To facilitate program monitoring and evaluation, the government undertakes to regularly report all required information to the IMF by the established deadlines and in accordance with the attached Technical Memorandum of Understanding (TMU).

Finally, the government confirms that it 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:

- Supplementary Memorandum of Economic and Financial Policies
- Technical Memorandum of Understanding

Attachment I. Supplementary Memorandum of Economic and Financial Policies, 2017–19

June 2019

I. INTRODUCTION

1. The Government of Cameroon continues to implement its economic and financial program supported by the International Monetary Fund (IMF) under the Extended Credit Facility (ECF) under difficult socioeconomic circumstances. Five of the six performance criteria at end-December 2018 were met, as were four of the five indicative targets. Moreover, five of the eleven (11) structural benchmarks for end-December to end May 2018 were met and three (3) were implemented with a delay. The difficult security context in Cameroon continues to weigh significantly on the country's socioeconomic situation. However, the government remains firmly committed to the successful implementation of the program for the remainder of the year and will take all necessary measures to honor its commitments. Specifically, it will pursue its public financial management reforms by effectively implementing the CEMAC directives, continue to expand the non-oil revenue base, improve the control and efficiency of public capital expenditure, enhance the stability of the banking sector, reduce the obstacles to the development of the private sector, and promote the diversification of the economy, while maintaining debt sustainability.

II. RECENT ECONOMIC DEVELOPMENTS

2. Economic growth rebounded in 2018, primarily owing to the somewhat smaller drop in oil production. After decelerating to 3.5 percent in 2017, the economy grew by 4 percent in 2018 (as against the 3.8 percent projected at the end of the third review). This recovery was characterized primarily by a less pronounced contraction of the oil and gas sector, supported by the entry into operation of the new natural gas offshore platform. Growth in the non-oil sector, down from 2017 levels, remains strong at 4.4 percent, driven by the implementation of projects for the Africa Cup of Nations (CAN), the production of timber and processed wood products, and the services sector, particularly banks and financial institutions. Average inflation remains low, with strong regional disparities, but is trending upward (rising from 0.6 percent in 2017 to 1.1 percent in 2018 and 1.4 percent in March 2019) owing primarily to higher food prices.

3. Fiscal consolidation has continued despite higher than anticipated capital expenditures. Preliminary end-2018 data indicate that the overall fiscal balance declined to 2.5 percent of GDP (4.9 percent of GDP in 2017), as increased mobilization of non-oil revenues (0.7 percent of GDP) covered the higher than projected capital expenditures (approximately 1 percent of GDP). The overruns of budgetary allocations resulted in an accumulation of expenditures to be regularized at the end of the complementary period for 2018. The non-oil primary deficit improved by 2 percent of GDP compared to 2017, reaching 3.9 percent of GDP. At

3.0 percent, the cash basis deficit was below projections owing to a larger accumulation of expenditure float of 0.6 percent of GDP. End-March budget execution indicates weak non-oil revenue mobilization as well as current and capital spending below quarterly projections. The overall budget balance thus shows a 0.7 percent of GDP surplus, compared with a projected 0.3 percent of GDP deficit.

4. **The current account deficit deteriorated to 3.7 percent of GDP in 2018 (as against 2.7 percent of GDP in 2017), mainly due to larger imports of mineral products owing to the production shutdown at the refinery (SONARA), the implementation of CAN projects, and weak agricultural exports resulting in part from unrest in the production zones in the English-speaking regions.** However, repatriations of banks' foreign exchange assets in response to the stricter application of the foreign exchange regulations led to the accumulation of net foreign assets (NFA) at the BEAC above the third review projections of CFAF 158 billion at end-2018. BEAC NFAs continued to increase (by CFAF 48 billion) in the first quarter of 2019 and banks' external assets to slightly declined, resulting in an increase in the total NFAs of CFAF 35 billion.

5. **The growth of the monetary aggregates accelerated as a result of the accumulation of reserves.** On a year-on-year basis, growth of broad money and deposits almost doubled to a little under 10 percent at end-December 2018. Credit to the economy also grew, to 7.2 percent, of which 4.6 percent in credit to the private sector and 69 percent in credit to public enterprises at end-December. However, during the first quarter of 2019, broad money and credit declined compared to end-2018 due to the sluggish economic activity. Although budgetary support was disbursed as planned, net government deposits at the BEAC declined by 0.5 percent of GDP at end-December 2018 compared to a projected net accumulation of 0.4 percent of GDP, primarily owing to large payments in correspondent accounts. Bank reserves with the central bank remain high, representing 24 percent of deposits at end-March 2019, but the quality of their portfolio has deteriorated, with the level of nonperforming loans increasing from 13 percent of total credit at end-2017 to 15.3 percent at end-2018 and 16.2 percent at end-February 2019.

III. IMPLEMENTATION OF THE ECONOMIC AND FINANCIAL PROGRAM

6. **All but two quantitative performance criteria were observed (Table 1), as well as some indicative targets at end-March 2019.** Based on end-2018 data and preliminary end-March 2019 data:

- The performance criterion on the non-oil primary balance was met by a margin of 0.15 percent of GDP, as the revenue surplus offset higher expenditures than projected in the revised 2018 budget law;
- The ceiling on net government financing by the BEAC (excluding IMF financing) was exceeded by 0.5 percent of GDP, owing to large payments to Treasury correspondents;
- The ceiling on net domestic financing (excluding IMF financing) was met by a wide margin (1.3 percent of GDP), as the level of external financing was higher than programmed;

- The performance criteria on the debt were observed by significant margins, particularly the ceilings on disbursements of non-concessional loans (a margin of 0.5 percent of GDP) and the contracting of new non-concessional loans (a margin of 0.4 percent of GDP). However, the continuous performance criterion on the non-accumulation of external arrears was missed between January and April 2019. Owing to the negotiations under way in the context of the restructuring of the debt to China, a payment of CFAF 52 billion due in January 2019, which the government planned to include in the restructuring, was delayed. The payment was made on April 17, 2019.
- All of the indicative targets for end-December 2018 were met with the exception of the indicative ceiling on Société Nationale des Hydrocarbures (SNH) direct interventions, which was exceeded by 0.2 percent of GDP owing to the persistent security challenges (Table 1).
- Almost half of the end-March 2019 indicative targets have been met, namely the non-oil primary deficit, the government net domestic financing (excluding IMF), the non-concessional loan disbursements, and the ceiling on SNH's direct interventions.

7. Implementation of the program structural benchmarks continues to progress despite delays in some reforms, particularly those related to the financial sector. Five of the eleven structural benchmarks for end-March 2019 were met by the deadlines and three benchmarks were implemented with a delay (Table 2). The benchmarks concerning fiscal policy and public finance management were met, as were two measures concerning financial stability and sustained growth led by the private sector, i.e., the quarterly payment of the main utility bills by the government and the computerization of the movable collateral registry. However, some structural benchmarks scheduled for the fourth review were not met on time, i.e.:

- *Provide training in bank dispute resolution for commercial court judges in the main business centers (due by December 2018).* The procedure for the selection of judges to be trained and experts to lead the seminars took longer than expected. The training, which was officially launched on December 28, 2018, began on January 7, 2019 and was completed on March 29, 2019.
- *Allow competitive bidding for LPG purchases, validate the required LPG fuel compensation by committee, and regularly transfer the cash surpluses of the Hydrocarbon Price Stabilization Fund (CSPH) to the Treasury (due by January 2019)* Competitive bidding has taken place since November 2018 and the validation committee, composed of the Ministry of Finance (Technical Rehabilitation Committee—CTR) and the Technical Monitoring Committee (CTS), was set up in April 2019. The transfer of CSPH surpluses to the Treasury on the basis of the end-December 2018 financial statements will be approved in June 2019 by the Board of Directors and will be effective by end-August 2019.
- *Introduce a mechanism to identify the nature of the SNH direct interventions and reconcile them to ensure their monthly regularization based on the type of expenditure, and supply a table of the direct interventions by type of expenditure to IMF staff (due by January 2019).* The Ministry of Finance/SNH working group, which is responsible for the reconciliation of the oil royalty data,

meets monthly and the detailed data by type are validated and transmitted to the Treasury to be recorded as expenditure to be regularized pending their regularization in the budget. A table detailing the types of expenditures involved in direct interventions was transmitted to IMF staff on May 1, 2019.

- *Prepare a disbursement plan for committed but undisbursed loans (soldes engagés non-décaissés—SENDs) for 2019-20 following discussions with the development partners (due by March 2019)*. The preparation of the SENDs disbursement plan required more time than anticipated owing to the methodological approach adopted. A report listing all SENDs was produced in early 2018 and was used for an analysis of problematic SENDs, with proposed solutions indicated in each case. Finally, the second conference for the scheduling of disbursements was organized in April 2019 with all donors, contracting authorities and project coordinators to collect data for better tracking of the SENDs. The SENDs disbursement plan for 2019–20 consistent with the macro-fiscal framework was communicated to IMF staff on May 24.

- Determine the business model for the SME bank (scheduled in March 2019). Implementation of this benchmark, planned for end-March 2019, requires a prior study on SME financing needs, the report on which is being finalized in May. The business model will be determined by September 2019.

- Finalize the recording of movable collateral in the computerized database (scheduled for March 2019). The computerized database was officially launched on May 23. The recording is ongoing and will be finalized by July 2019.

IV. ECONOMIC AND FINANCIAL PROGRAM FOR 2019 AND THE MEDIUM TERM

A. Macroeconomic Framework

8. The economic growth outlook remains positive. Growth should improve slightly to 4.2 percent in 2019, driven essentially by an increase in oil production. Completion of the construction projects related to the preparations for the 2021 Africa Cup of Nations, the completion of major infrastructure projects (particularly road and energy projects), and the integration of the Cameroonian economy into global value chains including through further processing of local raw materials, should support a gradual increase in growth in the medium term, which could stabilize at between 5 and 5.5 percent.

9. Adherence to the fiscal targets for 2019 and beyond is essential to restore the major macroeconomic balances in Cameroon and the subregion. Fiscal consolidation and increased efforts to ensure the repatriation of export proceeds should underpin the improvement in the current account and the rebuilding of the foreign exchange reserves. The current account deficit should stabilize at around 3 percent of GDP in the medium term and net foreign assets at around CFAF 2,532 billion in 2024, as against CFAF 1,706 billion in 2016. These efforts are also needed to

stabilize and reverse the evolution of the public debt, which increased more rapidly than anticipated in 2018 owing to the acceleration of project loan disbursements, and to maintain debt service at sustainable levels. Any slippage could lead to an unsustainable public debt trajectory owing to the rapid accumulation of the stock of non-concessional debt and an export base that remains limited and little-diversified.

10. Domestic and external risks could affect the outlook. External risks comprise primarily uncertainty related to international trade tensions, slower growth in China, the persistent volatility of commodity prices, and delays in the regional adjustment of the CEMAC, which could constrain growth. Domestically, a further deterioration in the sociopolitical climate before the upcoming legislative and municipal elections could undermine the fiscal consolidation efforts under way and the implementation of the reforms. Nevertheless, the non-oil sector remains strong, which could help to mitigate some negative shocks.

B. Fiscal Policy

Fiscal Policy Objectives for the Remainder of 2019

11. Given the 2018 fiscal outturn and the preliminary results for the first quarter of the 2019 budget, the objectives laid out in the initial 2019 budget law have been revised. The 2019 budget law is broadly aligned with the program objectives as it calls for a deficit of 2.0 percent of GDP. However, given the better performance of non-oil revenues in 2018 and the acceleration of capital expenditures, which is expected to continue in 2019, the composition of revenue and expenditure in the 2019 budget law has been revised.

12. In this context, a draft supplementary budget has been prepared and submitted to Parliament for ratification in June 2019. This supplementary budget aims at maintaining the fiscal deficit at 2 percent of GDP. However, it will include slightly higher revenue than projected in the initial budget law, given the expected increase in oil revenue (by 0.3 percent of GDP compared to the initial projections) and slightly higher non-oil revenues owing to the expanded base in 2018 as well as the impact of the measures in the 2019 budget law. The increase in non-oil revenues is expected to remain modest owing to (i) the delay in the implementation of new measures; (ii) the lower than projected mobilization of tax and customs revenues at the end of the first quarter as a result, in part, of the sociopolitical and security crisis in the northwestern and southwestern regions; and (iii) the significant decline in SONARA declarations and payments to DGD and DGI at the end of the first quarter, a trend that could continue for the rest of the fiscal year. On the expenditure side, current expenditures include sufficient provisions to allow the government to continue to deal with the security and humanitarian situation, ensure adequate financing of the elections, and respond to the need for subsidies. Capital expenditure is maintained at around 6.6 percent of GDP, but with an increase in externally-financed expenditure of 0.7 percent of GDP so as not to interfere with the successful completion of ongoing priority projects, based on a detailed disbursement plan. With the larger proportion of externally-financed expenditure in the deficit (Treasury payment order basis), it

will be possible to continue to implement the plan for clearing domestic arrears and reducing the balances of correspondent accounts while increasing the deposits of the Treasury at the BEAC.

13. To meet its cash flow needs, the government will continue to issue T-bills and T-bonds in accordance with the authorization in the 2019 budget law. Owing to strong bank liquidity, it was possible to exceed the projections for the issuance of fungible Treasury bills (bons du trésor assimilables—BTAs) in the first quarter of 2019. BTAs totaling CFAF 116.77 billion were issued against an initial projection of CFAF 45 billion, revised to CFAF 122 billion given the market liquidity conditions. The 2019 initial budget law authorizations of CFAF 260 billion, including the issuance of CFAF 150 billion in fungible Treasury bonds (obligations du Trésor assimilables—OTAs) planned for the second and third quarters of 2019 could be fully realized and help to revitalize the securities market.

14. Urgent measures to enhance control of budget execution are needed to ensure that the revised fiscal targets for 2019 are met:

- To ensure transparency in budget execution, a 2018 budget execution report clearly identifying the overruns of certain budgetary allocations and the reasons for these overruns, including monitoring of the use of exceptional procedures, has been published in early June, 2019.
- Despite the production of budget execution circulars, which regulate the use of exceptional expenditure procedures in the form of provisional commitments, treasury advances and cash advances, such procedures continue to jeopardize the transparency of budget execution and complicate budget regularization operations during the complementary period. This constitutes a major risk for the respect of the program objectives. The level of expenditures requiring regularization at the end of the complementary period remains high (1.1 percent of GDP), with significant overruns of the approved budgetary appropriations and the persistence of budget execution operations well beyond the end of the complementary period. The government will make every effort to apply the provisions of the 2019 budget execution circular, which calls for the elimination of provisional commitments and cash advances, which will be replaced by "régies d'avances". Specifically, the total volume of expenditure involving exceptional procedures will be limited to 5 percent of the total domestically financed expenditure envelope (excluding debt service) in 2019.
- To improve the predictability and transparency of budget execution, the number of direct interventions will be limited to a maximum of CFAF 140 billion in 2019. The supplementary budget law includes budget provisions for a total of CFAF 140 billion to avoid crowding out other expenditures.
- Expenditure to be regularized, including direct interventions by the SNH, will be adjusted monthly to avoid the accumulation of significant expenditure balances pending adjustment at the end of the year. Monthly accounting statements will be prepared and attached to the TABORD, indicating the amount of the cash advances and régies d'avances. Expenditure commitments will be effectively closed by end-November 2019 and payment orders by end-December 2019, and the complementary period will be permanently reduced to one month (end-January 2020 for fiscal year 2019).

15. The government undertakes to make the necessary trade-offs and identify and quantify contingent measures to contain the downside risks for revenue and maintain executed expenditure within the limit of the total budgetary appropriations in the revised 2019 budget law.

- On the revenue side, the government commits to improving the collection of tax arrears, particularly the those of public enterprises. The government will also take measures to clear cross debts, particularly by means of balancing operations. The DGI and DDD will continue to implement measures to increase the tax base by strengthening audits of enterprises at risk of underreporting on their tax returns.
- The government will resolutely continue its efforts to reduce government goods and services costs based on the Prime Minister's 2017 circular. The reduction of mission expenses, commissions, the strict application of the reference price list and the limitation of exceptional procedures should yield fiscal margins that could be redeployed to priority expenditures. In the area of expenditure management, efforts will be made to control the rate of budgetary commitment of expenditures while ensuring the alignment of these commitments with revenue flows to consolidate the primary deficit reduction path.

Medium-Term Fiscal Policy Objectives

16. The medium-term budget framework will remain in line with the program objectives, with a deficit target that meets the CEMAC convergence criterion. The medium-term budget framework remains focused on a gradual reduction of the overall fiscal deficit, which is stabilizing at around 1.5 percent of GDP, allowing for respect of the CEMAC convergence criterion (reference balance) by 2020. This fiscal deficit reduction will involve a steady improvement in non-oil revenue mobilization (particularly by continuing to reduce exemptions) and greater efficiency and control of public expenditure. A gradual reduction in non-priority expenditure while protecting social spending and better prioritization of capital expenditure will allow investment projects to continue.

17. Fiscal consolidation will continue, while protecting priority social spending. For 2019-20, in the context of our interim growth and employment strategy, the government will take decisive measures to further reduce poverty and inequality. Specifically, the safety net program will be scaled up, with resources totaling at least CFAF 4.5 billion budgeted and made available to project managers, increasing to CFAF 9 billion in 2020. The government will continue to increase expenditure on health and education and improve the quality of such spending, particularly by ensuring the release of sufficient resources for the performance-based health expenditure management program. The floor for social spending in 2020 will be gradually increased to 3.7 percent of GDP.

C. Structural Fiscal Reforms

18. In the area of fiscal management, implementation of the measures to enhance budget execution control will continue.

- The government undertakes to accelerate the implementation of the Law on the Code for Transparency and Good Governance in Public Finance Management in Cameroon and the Law on the Financial Regime for the Government and Other Public Entities for their effective implementation in the 2020 fiscal year. To this end, the government has signed the decree on the budget calendar, which reduces the complementary period to one month, on May 31, 2019 and will finalize the other implementing decrees for the transposition of the four other CEMAC directives into national law by end-June 2019.
- As part of its general fiscal reforms, the government plans to start implementation of the activities included in the operational reform plan for fiscal year 2019, specifically the reorganization of the government departments impacted by the reforms and the preparation of implementing regulations for the new Public Procurement Code.

19. The government also intends to pursue the medium-term reforms aimed at improving the quality of expenditure and treasury management, as defined in the fiscal reform program. The focus of these reforms is:

- *Continue and deepen the treasury management reforms with a view to introducing a single Treasury account (STA) (due by September 2019).* In this context, the following actions will be undertaken:
  - ➢ Strengthen the role of the treasury committee, which will be responsible for preparing credible monthly cash flow plans based on commitment plans that are underpinned by the procurement plans to reduce liquidity pressures and the accumulation of domestic arrears. The committee will also prepare annual commitment plans to be attached to the budget law, starting with the 2020 budget.
  - ➢ Continue the efforts to close and repatriate to the BEAC (in the Treasury account or in accounts opened in these entities' names) bank accounts eligible for inclusion in the single Treasury account of government departments, public agencies and institutions and administrative public establishments as well as some accounts of the debt sinking fund ("Caisse autonome d'amortissements"-CAA). During 2018, more than 400 CAA accounts were closed and their balances in the amount of approximately CFAF 7.3 billion were repaid to the Treasury, for a total amount identified at around CFAF 40 billion. Moreover, the government has asked the banks to close some dormant accounts and transfer to the BEAC the balances of these accounts, totaling approximately CFAF 44.5 billion by September 2019. The government will also continue the dialogue with the technical and financial partners on the possibility of centralizing all counterpart funds for new joint projects in a single account opened at the BEAC. The management of accounts already opened for existing projects will continue until completion of the related studies (management of counterpart funds), bearing in mind the requirements of the various donors. For effective repatriation of the

government's resources at commercial banks to the BEAC and the expansion of the scope of the single Treasury account, the government will take the following actions by end-September 2019: (i) sign a management agreement for the single Treasury account with the BEAC; (ii) submit a list of government accounts (and the balances on these accounts), excluding counterpart funds, as of June 30, 2019; and (iii) send letters to the public entities holding these accounts explaining the single Treasury account reform and proposing a timetable for the closure of these accounts and the repatriation of their balances to the BEAC by end-December 2019. The total resources transferred to the single Treasury account between May and December will amount to at least CFAF 80 billion.

- *Continue to clean up and reduce the balances of correspondent accounts while making sure to respect the deposit accumulation objective*. The closing of dormant correspondent accounts and the accounts of non-revenue generating entities -has been completed (June 2019 SB), the audit of the remaining correspondent accounts will continue, and the prohibition on new appropriations for carryovers of budgetary appropriations and the opening of new accounts is maintained.
- The strengthening of the government financial reporting system will continue to ensure that budgetary and accounting information is complete, reliable and timely. Specifically, starting in June 2019, the TOFE will be produced on the basis of automatic links with the balances on the Treasury accounts, on the one hand, and the table of payment authorizations, on the other, and will be validated on the basis of the provisions 953, 954 and 955 of the circular of December 28, 2018 providing instructions on the execution of the budget of the government and other public entities for fiscal year 2019.
- *To enhance the efficiency of capital expenditure, the government will implement reforms to improve project selection, planning, and the execution of investments.*
  - ➢ The implementation of the decree on investment projects' maturation decree will restrict inclusion in the budget to projects that have been deemed mature and for which the expropriation compensations have been paid.
  - ➢ The accountability of project implementation units will be enhanced through the definition of standardized terms of reference and the remuneration of experts in these units on the basis of well-defined performance indicators. These terms of reference will include the preparation of quarterly reports with physical and financial project implementation indicators, revision of the disbursement plan, if necessary, and project management expenditures (new structural benchmark for September 2019).

20. The DGI and DGD will pursue ongoing efforts to improve revenue collection, combat tax fraud and evasion, reduce exemptions, and ensure the integrity of the taxpayer database and IT systems.

- **The DGI will focus on:**
  a. Enhancing the efficiency of the Large Taxpayer Directorate (DGE) and the Centre 1 and Littoral 1 Regional Tax Centers by better organizing these entities, and enhancing the

management of the taxation of individuals by creating specialized units within the Medium-Sized Taxpayer Centers (CIMEs) and the Divisional Tax Centers (CDIs).

b. Improving the yield of the VAT by raising the VAT liability threshold.

c. Continuing the computerization of tax procedures, specifically those of the renovated Divisional Tax Centers (CDIs) to ensure that they benefit from the existing electronic filing and payment procedures.

d. Strengthening tax audits by implementing targeted audits to reduce the rate of VAT returns with a credit balance, introducing automated tracking of audit procedures in the DGE and the CIMEs, and stepping up recourse to local and international expertise via Tax Inspectors Without Borders.

e. Based on the results of more intense discussions with the DGD, we also plan to develop the potential for additional revenue collection. Specifically, we plan to continue the identification, investigation and audit operations for noncompliant enterprises and proceed with sending out tax adjustments for and collecting undeclared taxes.

f. Introducing a simplified uniform tax for enterprises not subject to the VAT.

g. Continuing the process of simplifying and automating procedures by introducing electronic payments for enterprises coming under the DGE and the CIMEs, electronic filing of Statistical and Tax Declarations (DSF), the registration of judicial decisions for tax purposes, and the automation of the dispute procedure and the granting of payment delays to reduce the time needed to process cases and control the risks of delaying tactics in the collection of tax revenues.

h. Improving the collection of taxes by strengthening the debt collection mechanism for the tax debts of importers at the DGD.

- **The DGD, for its part, will continue to consolidate the reforms implemented by enhancing the revenue optimization and facilitation measures in effect, such as:**

a. Secure customs revenues through the quarterly reconciliation of import declarations and the scanning images validated by the Société générale de surveillance (SGS) with the assessed customs duties. Steps will be taken to increase the effectiveness of this measure, specifically by (i) making the import declaration mandatory for operations whether or not they are subject to the program for the verification of imports with a declared f.o.b. value and requiring the Value and Tariff Classification Report (RVC) number for submitted declarations; (ii) making mandatory and blocking the RVC number and the Control of Identification of Vehicles Imported into Cameroon (CIVIC) number fields in import declarations; and (iii) improving the inspection of used vehicles by making importers and licensed customs brokers accountable, particularly by requiring the CIVIC document before issuing the customs clearance certificate for the registration of the imported vehicles. The DGD will reconcile the CIVIC values forwarded by SGS with those validated by the DGD. The monitoring of exports will also be enhanced by (i) requiring tax slips (bordereaux de taxation—BDT) for all export declarations submitted and (ii) making mandatory and blocking

the BDT field. In addition, SGS will take legislative and regulatory provisions into account, such as the provisions of the budget laws and other regulations, during evaluation and pre-assessment.

b. Prepare monthly reconciliations of revenues collected by customs with revenues paid to the Treasury (in the context of the TABORD Committee at the DAE, which reconciles revenue agency data) to assess and validate the monthly MINFI results.

c. Continue to reduce tax expenditures in cooperation with the DGI.

d. Improve revenue collection by simplifying procedures, further expanding electronic payments, and harmonizing tax bases throughout the country.

e. Enhance the protection of the information system by making user profiles and the interconnection with other partners more secure through the strengthening and consolidation of ASYCUDA++. At the same time, complete the work to modernize the DGD information system (CAMCIS) and consider the operationalization of some modules on July 1, 2019.

f. Focusing the efforts to fight fraud and smuggling through the HALCOMI III operation involving products such as vehicles, sardines, alcohol, fabrics, etc.

21. The joint DGI/DGD work on the "FUSION" application database will continue and is expected to improve data collection and information sharing between the two administrations. The efforts will focus on: (i) continuing the cleanup of the taxpayer database by using the results of cross-checks between the DGI and DGD databases; (ii) harmonizing and simplifying procedures; (iii) controlling derogatory regimes, specifically by accelerating joint DGI-DGD audits of enterprises that have benefited from tax exemptions; (iv) continuing the evaluation of tax expenditures each year; (v) ensuring the validity of exemptions by requiring the immediate transmission of the document approved by MINFI to the Legislation and Disputes Directorate for processing and registration in a database set up in the DGD central offices; and (vi) preparing a procedures manual aimed at enhancing joint audit and investigation operations to optimize revenues.

D. Debt Policy and Management of Contingent Liabilities

22. Our debt policy will continue to focus on the need to avoid debt distress and to place public borrowing on a sustainable path. As the risk of debt distress is still high, the government will continue to give priority to concessional loans and to limit non-concessional borrowing to priority projects for which no concessional financing is available, in accordance with the program limits defined on the basis of the findings of the public debt sustainability analysis.

23. The debt increased in 2018 but efforts, which will continue, were made to limit the contracting of new non-concessional loans. The ratio of the total public debt to GDP increased

from 27.4 percent in 2016 to 34.5 percent at end-2018.[1] Of the 31 new loans totaling CFAF 675.6 billion (including CFAF 433.7 billion in non-concessional loans) that were proposed in the 2018 borrowing plan, 18 of the proposed loans in the amount of CFAF 449.7 billion were contracted, including 9 non-concessional loans in the amount of CFAF 341.2 billion (below the program ceiling of CFAF 436 billion in new non-concessional external loans) (Text Table 1).

24. To preserve debt sustainability, the government has refined the prioritization of the borrowing plan and finalized the 2019 disbursement plan (structural benchmark). The plans were prepared in coordination with the major donors, while respecting the annual ceilings on disbursements of non-concessional loans of CFAF 588 billion and the contracting of new loans (TMU ¶37-38). The government also canceled CFAF 111 billion in nonperforming SENDs, which, along with the acceleration of disbursements, helped to reduce the stock of SENDs to 18.9 percent of GDP, and it is considering the cancellation of an additional CFAF 166 billion. For the ceilings on non-concessional disbursements, the trade-off between the urgency and importance of the disbursements to prioritize, bearing in mind the real absorption capacity of projects, and the liquidity needed for debt service should lead to the maintenance of the ceiling at CFAF 588 billion for 2019. The government will continue to prepare quarterly disbursement plans for all investment projects in cooperation with the project managers and coordinators, and these plans will serve as the basis for disbursement requests in accordance with the SEND disbursement plan. Monthly monitoring of disbursement requests and actual disbursements will continue.

25. The government has asked China to reschedule its debt and restructure some financing owing to the sharp increase in debt service and delays in project implementation. External debt service totaled CFAF 380 billion in 2018 and is expected to increase to CFAF 471 billion in 2019, or 15 percent of non-oil revenue, 35 percent of which is owed to China. The work resulted in an agreement in principle on the cancellation of the debt to the Chinese government in the amount of CFAF 35 billion and consideration of the possibility of rescheduling the debt service to Eximbank China over three years, which could amount to approximately 0.7 percent of GDP.

26. In addition, the government plans to enhance its monitoring of the management and performance of public enterprises and SOEs to limit fiscal risks.

- Specifically, the government intends to accelerate the implementation of the reform of public enterprises and establishments under Laws Nos. 2017/011 and 2017/010 of July 12, 2017 on the General By-Laws of Public Enterprises and the General By-Laws of Public Establishments, respectively. To streamline its portfolio and reduce fiscal risks, the government will study the viability of public enterprises by conducting diagnostic studies of CAMTEL, CAMWATER, CAMAIR Co and the Autonomous Port of Douala and audits of other public enterprises that are highly indebted and/or post a deficit by December 31, 2019 (new structural benchmark).
- The Treasury will continue to make quarterly payments for government utility consumption (ENEO, CAMWATER, CAMTEL, SONARA) on the basis of annual budget allocations so as to limit

[1] This estimate includes the 2013 SONARA supplier debt of 0.3 percent of GDP. In its macroeconomic framework and debt sustainability analysis, the IMF adds the Treasury float and the other SONARA debt to these amounts.

the emergence of cross debts with these entities, and will reconcile these payments with actual consumption at the end of the year. In return, these entities must properly discharge their tax liabilities.

- The government also plans to amend the law on public-private partnerships (PPPs) to improve the transparency of the projects financed and to avoid projects that do not meet its priorities.

27. The government will continue to strengthen the debt management framework. The National Public Debt Committee (CNDP) will continue to systematically review all project financing proposals, including for the SOEs included in the scope of public debt as well as PPPs, and will give its approval only if the project meets the maturity, urgency, priority, quality of financing, fiscal sustainability and economic relevance criteria, while bearing in mind the impact on debt sustainability. Only an unconditional favorable notice from the CNDP will lead to the signing of new loan agreements. On the other hand, the government, including the public enterprises included in the scope of public debt, is committed now not to contract new collateralized loans.

28. The government will implement pending measures contained in the strategy to improve SONARA's financial sustainability. These involve:

a. Arranging competitive tenders for LPG imports. This measure has resulted in a significant reduction in the import premium on this product and has made it possible to achieve savings of around CFAF 5-6 billion per year. The regulatory framework for the CSPH has been aligned with the new law on public enterprises, which calls for the payment of realized annual profits to the Treasury. The validation of CSPH LPG shortfalls by an expanded committee and the approval of the transfer of surplus CSPH cash to the Treasury by the CSPH Board of Directors will take place by June 2019, and the actual transfer of these profits will take place by end-August 2019 (reset structural benchmark).

b. Allow SONARA to market its zero-interest bearing (OTZ) securities to improve its cash position.

c. Clear SONARA's shortfalls ("manques à gagner"- MAG) monthly and settle the amounts owed by the state within a maximum of 90 days.

d. Regularly pay taxes collected and those owed by SONARA to the Treasury.

e. Revise and simplify the current fuel price structure (new structural benchmark) to make the price structure sustainable and equitable for the various parties concerned, specifically by: (i) reducing the "transport equalization" item; (ii) analyzing the financial position of public entities in the oil sector (SCDP, CSPH and SONARA) to reduce their share in the price structure, including by reducing their operating costs and paying their surpluses to the Treasury; and (iii) developing a subsidy program that better targets vulnerable populations and launching a communications campaign highlighting the costs and inequity of general subsidies and the advantages of increased fuel price flexibility, with World Bank's assistance.

Text Table 1. Cameroon: Revised 2018 Borrowing Plan

Project	Creditor	Amount (CFAF billion)	Date of Signature
Prioritised Concessional Loans Under the Borrowing Target			
Project for the construction of a bridge across the Logone River and adjoining developments	AfDB	**21.9**	(05/24/2018)
Project for the construction of a bridge across the Logone River and adjoining developments	ADF	**7.8**	(05/24/2018)
Cameroon Mining Sector Technical Assistance project	WB	**15.9**	(06/20/2018)
Agricultural infrastructure and value chain development project in Cameroon (RUMPI 2)	IsDB	**30.5**	(05/08/2018)
Project for the construction of the Nanga Eboko Vocational Training Center	Raiffeisen Bank	**3.3**	(20/12/2018)
Community Development Program Support Response to Forced Displacements	WB	**4.3**	(17/12/2018)
Health System Performance Reinforcement - Additional Financing	WB	**3.3**	(17/12/2018)
Project in Support of the Elimination of Mother-to-Child HIV Transmission in Cameroon	IsDB	**11.6**	(28/12/2018)
Project for the modernization of the DGI	KFW	**9.8**	(20/12/2018)
Total		**108.4**	
Prioritised Non-concessional Loans Under the Borrowing Target			
Rural electrification project by the OPEC Fund for International Development	OFID	**7.3**	(05/24/2018)
Project for the rehabilitation of the Roumde-adja Stadium, construction of the auxiliary stadium and a 4-star hotel in Garoua	BMCE Bank international	**19.7**	(03/19/2018)
Project for the expansion of the intelligent urban video surveillance system nationally (Phase I, 1,500 cameras)	BANK OF CHINA	**23.0**	(02/28/2018)
Imports of crude oil by SONARA	ITFC/IsDB	**44.6**	(02/19/2018)
Project for the stabilization and improvement of the electricity networks in the city of Douala	SG Paris	**108.7**	(03/07/2018)
Water supply project for nine cities, Phase II: Dschang, Garoua-boulai, Garoua, Maroua and Yabassi	Eximbank China	**53.5**	(03/22/2018)
Line of credit for the financing of a fertilizer import operation for SODECOTON	ABEDA	**14.4**	(12/28/2018)
Project to increase the capacity of the SODECOTON plants	ABEDA	**5.8**	(12/28/2018)
Agricultural inputs import operation for the 2017, 2018 cotton season	ITFC	**64.3**	(12/26/2018)
Total		**341.2**	

E. Regional Monetary Policy and Financial Sector Stability

29. The government undertakes to implement policies that are consistent with maintaining the stability of the monetary arrangement, which requires the stabilization and reconstitution of the BEAC reserves. Specifically, implementation of the recommendations of the October 2018 Heads of State Summit held in Chad made it possible to increase the repatriation of foreign exchange, which, in the case of Cameroon, totaled CFAF 184 billion at end-December 2018. In addition, the government firmly commits to ensuring the transparency and surrender of export proceeds by public enterprises, particularly in the oil sector. In particular:

- The government will identify accounts held abroad by public enterprises and the balances on these accounts by end-July 2019; these entities will be required to repatriate and surrender these external assets to resident banks by December 31, 2019, in accordance with the regulations, or obtain a written waiver from the BEAC.
- The government will share all contracts concluded with mining industry operators with the BEAC, specifically indicating the revenue-sharing arrangements, the modalities for the repatriation of these revenues and the financial terms, by end-September 2019 (new structural benchmark). The government will prepare a timetable for ensuring that these contracts are fully in compliance with the new foreign exchange regulations. The government also commits to consulting with BEAC staff before contracting new concession contracts or revenue-sharing agreements with the extractive industries to ensure that they are in compliance with the foreign exchange regulations. The government will ensure, in cooperation with the BEAC, that the implementation of the new petroleum code is fully compliant with the BEAC's FX regulation.
- The government will organize, together with the BEAC, a high-level consultation meeting with the operators in these sectors by end-July 2019 to clarify the new foreign exchange regulations and review all issues relating to their implementation.
- The government will ask the customs administration to perform its due diligence regarding compliance with the new regulations on the domiciliation of all export transactions with a resident commercial bank by end-August 2019. To this end, an IT platform for the exchange of data between the BEAC, the banks and MINFI (Treasury-Customs) is being created to facilitate the auditing and tracking of the repatriation of export proceeds.

30. The government is continuing to implement the reforms aimed at strengthening the stability of the banking system. To this end:

- Options for the resolution of two ailing banks have been prepared by MINFI on the basis of the technical assistance report and have been forwarded to the Prime Minister's office and COBAC for comments. COBAC has not made any objections but has asked for the final restructuring plans approved by the government including a deadline. The government has therefore entered into discussions with the shareholders and set up a committee responsible for preparing the plans, which will include: (i) evaluating the sales prices for nonperforming assets based on the

new valuation methodology of the state asset management company (SRC) to identify the capital needs of each bank; (ii) having the shareholders make up the minimum capital required to meet the prudential requirements and, if necessary, (iii) seeking a buyer. These plans, which respond to the objectives of financial inclusion and minimization of fiscal costs and risks for the government, will be prepared in coordination with IMF staff by end-June and submitted to COBAC for consultation by end-July with a view to their adoption by end-October 2019 (reset structural benchmark).

- The study on the financing needs of SMEs has been completed. The government will propose a viable business model for the financing of SMEs based on international best practices, which will be approved by end-September 2019 (reset structural benchmark). The SME bank, which was still posting a deficit at end-2018, is pursuing its consolidation strategy with a view to breaking even by the second quarter of 2019.

- The public bank was profitable in 2018 and is pursuing the implementation of its performance contract, which will be reviewed by the Joint Evaluation Committee by end-May 2019. The transfer of impaired loans of the public bank to the SRC, and their valuation on the basis of the new methodology, will be completed by June 2019. In accordance with its commitment, the government will recruit, on a competitive basis, directors to provide the bank with a majority of independent board directors by end-June 2019. In accordance with international best practices, the audit committee will be chaired by an independent director starting in September 2019.

- The Ministry of Finance will ensure strict enforcement of the new microfinance regulations, which have been in place since 2018. To this end, in accordance with the regulations, it will ensure that each institution in operation at end-2019 has obtained a license from COBAC and will transmit a report to COBAC by end-January 2020.

31. The government will also continue to implement its action plan for the reduction of nonperforming loans.

- The training of 20 judges and 10 clerks from four major business centers in the resolution of bank disputes was completed in March 2019. The deployment of these judges in the commercial courts and the channeling of banking legal cases to these judges is under way. The authorities will ensure annual follow-up on this training on the basis of case studies and the initial training will be offered every two years to new judges.

- The registry for movable collateral is operational. The registration of the existing stock of movable collateral is under way and will be completed by end-July 2019.

- The updated report on the inventory of nonperforming loans will be completed by end-May 2019. By end-July 2019, the authorities will (i) enter into discussions with each bank to identify the challenges they face in the classification and charge-off of provisioned loans; and (ii) evaluate the timeliness of an exceptional measure to facilitate the cleaning of the balance sheets.

- The CNC has prepared a draft law to enhance credit repayment discipline; the draft is being reviewed and it is expected to be submitted to Parliament by end-June 2019.

- The laws (i) on the appointment of a pretrial judge for civil and commercial cases; (ii) amending the law on judicial organization, which will enshrine the creation of commercial courts; and (iii) on legal deposits, enshrining the right of access to justice and processing times, will be submitted to Parliament by end-August 2019 after the comments of the development partners have been received and incorporated, and the corresponding implementing regulations will be reviewed by end-2019.

- The action plan for the reduction of nonperforming loans will be expanded and updated by end-June 2019 by the Ministry of Finance in close cooperation with the Ministry of Justice and the professional banking association.

F. Competitiveness and Private Sector Development

32. The government is committed to accelerating the implementation of measures designed to support the development of the private sector and diversification of the economy. Recent efforts have focused on improving the customs infrastructure and procedures to facilitate trade and the collection of taxes.

- *Trade facilitation*. The government has continued to support the modernization of the CEMAC legal framework, specifically the implementation of the new CEMAC customs code approved in March 2019. The Port of Douala electronic payment platform has been expanded, allowing for the payment of customs duties and taxes in several regions. Other fees and taxes are also being included in the platform, which is a one-stop shop for the payment of all foreign trade costs. Accelerated access to the "green channel" is already granted to low-risk operators with a high revenue potential. The single transit permit (TTU) is operational and the warehouse for used vehicles less than 10 years old is being built. In addition to the above actions and in order to improve cross-border trade operations, the government will (i) adopt and implement an end-of-project plan for the automation of foreign trade operations (June 2019); (ii) implement the concept of licensed operator (November 2019); and (iii) eliminate intermediate controls for the transport of goods in transit at conventional checkpoints (November 2019).

- *Upgrading of procedures*. The existing measures focus on the simplification, modernization and reduction of the cost of complying with tax obligations. They involve the online tracking of the processing of contentious claims, the online issuance of payment deferrals, the electronic transmission of tax payment receipts to taxpayers, the online consultation of the tax status of taxpayers, and the cash payment of taxes by small and microenterprises at bank windows.

33. The government also commits to taking measures to improve compliance with the principles of the Extractive Industries Transparency Initiative (EITI) and international anti-money laundering and terrorist financing (AML/CFT) standards. The government will take measures to follow up on the 14 recommendations of the EITI Committee so that Cameroon can be

declared in compliance with the 2016 standard during the 2019 validation cycle and plans to publish a progress report by mid-2019. As regards the AML/CFT regulations, a national risk assessment was launched in November 2018 with World Bank support; this is one of the components of the GABAC assessment to be held this year. The exchange regulations adopted by the BEAC improve compliance with the AML/CFT provisions. The government will support the actions of the National Financial Investigation Agency (ANIF) to increase the reporting of suspicious transactions by designated non-bank institutions and to enhance the follow-up on these reports and any judicial proceedings undertaken. Awareness-raising actions targeting various parties will be conducted on this topic. The Ministry of Justice will produce dedicated statistics and the judicial authorities will produce dedicated information in their annual report.

V. PROGRAM ARRANGEMENTS

34. The government will take all measures needed to achieve the objectives and meet the criteria, as presented in Tables 1 and 2 of this memorandum. The program will be subject to semiannual reviews and performance criteria, indicative targets and structural benchmarks as set out in Tables 1 and 2 of this Memorandum and in the attached Technical Memorandum of Understanding (which also sets out the requirements for reporting the data to Fund staff). The fifth program review will be based on end-June 2019 targets and objectives and is expected to be completed on or after December 15, 2019, and the sixth and final review will be based on end-December 2019 targets and is expected to be completed on or after May 31, 2020.

Table 1. Cameroon: Quantitative Performance Criteria and Indicative Targets and Projections, 2018–19

(Billions CFA Francs, cumulative for each fiscal year)

	2018							2019										
	Sep			Dec				Mar				Jun		Sep		Dec		
	3rd Rev. IT	Act.	Status	3rd Rev. PC	Adj. PC/IT	Prel.	Status	3rd IT	Adj. IT	Prel.	Status	3rd PC	Prop. Rev. PC	3rd Rev. IT	Prop. Rev. IT	3rd Rev. Proj.	Prog. PC
A. Quantitative performance criteria and indicative targets 1/																	
Floor on the non-oil primary fiscal balance (payment order basis)	-477	-557	Not Met	-872	-872	-837	Met	-123		60	Met	-417	-399	-574	-641	-673	-760
Ceiling on the net domestic financing of the central government excluding IMF financing 2/	-113	-163	Met	-8	-7	-212	Met	-51	42	-44	Met	-10	90	-101	126	18	1
Ceiling on net borrowing of the central government from the central bank excluding IMF financing 2/	-63	36	Not met	-70	-69	41	Not met	-36	19	31	Not Met	9	34	-30	6	-6	-18
Ceiling on the disbursement of non-concessional external debt 3/	596	371	Met	596	596	508	Met	353		79	Met	353	389	588	588	588	588
B. Continuous quantitative performance criteria 4/																	
Ceiling on the accumulation of new external payments arrears	0	0	Met	0	0	0	Met	0		52	Not met	0	0	0	0	0	0
Ceiling on new non-concessional external debt contracted or guaranteed by the government 5/; 6/; 7/	620	436	Met	436	718	623	Met	500		0	Met	500	500	500	500	500	500
C. Indicative Targets																	
Floor on non-oil revenue	1,968	1,985	Met	2,680	2,680	2,864	Met	669		646	Not met	1,385	1,351	2,102	2,116	2,892	3,044
Ceiling on the net accumulation of domestic payment arrears	0	-75	Met	-94	-94	-168	Met	0		114	Not met	0	0	0	0	0	-149
Floor on social spending	460	462	Met	657	657	661	Met	164		142	Not met	325	325	497	497	749	772
Ceiling on direct interventions of SNH	156	149	Met	156	156	195	Not met	140		46	Met	140	140	140	140	140	140
Share of spending executed through exceptional procedures on authorized (payment order) spending 8/	10	10	Met	10	10	9	Met	5		7	Not met	5	5	5	5	5	5
Memorandum items:																	
1. Cumulative external budget support, excluding IMF (earliest disbursement)	167	184		298	298	297		55		0		88	0	219	180	298	269
2. New concessional external debt contracted or guaranteed by the government 9/	245	70		245	245	92		150		110		150	318	150	318	150	318
3. Balance of the special account for the unused statutory advances	247	255		227	227	232		214		217		202	202	189	189	177	177

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

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

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

2/ The ceiling on net domestic financing (excluding payment of arrears) of the budget and the ceiling on the net borrowing from the central bank 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.

3/ The PC on the disbursement of non-concessional external debt contracted as of the date of program approval is modified starting September 2018 to include all non-concessional project loans.

4/ The targets are set from the beginning of the year.

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

6/ For 2018, the ceiling will be adjusted upwards by the amount of non-concessional budget support excluding IMF financing for debt management operations, up to the amounts specified in memorandum item No. 1 below excluding budget support grants. Starting 2019 the adjustment will be equal to the amount of non-concessional budget support approved up to a maximum of CFAF 132 billion.

7/ Starting on January 1, 2020 the ceiling for non-concessional external debt is set at zero until it is changed by the IMF Executive Board following discussions of a new DSA and on a list of specific projects for 2020.

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

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

Table 2. Cameroon: Prior Actions and Structural Benchmarks, 2018–19

		Timetable	Indicator	Status	Review
Prior Actions					
1	Submit a 2019 revised budget in line with program objectives		Transmission letter to the National Assembly	Met	
2	Finalize budget calendar implementing the new law on Finance Laws, including a reduction of the complementary period to one month starting with the 2020 budget		Signed decree establishing the new budget calendar	Met	
3	Publish 2018 budget execution report explaining spending overruns		Publication on the Ministry of Finance's website	Met	
Fiscal policy and revenue mobilization					
1	Prepare quarterly reconciliation of import declarations and scanner images validated by SGS and the assessed customs values	Quarterly starting in Sep-18	Quarterly verification reports submitted to Fund staff	Met	Recurrent
Public finances and debt management					
2	Disclose the type and volume of contingent liabilities in an annex to the budget law, including the firm and contingent liabilities of all existing public-private partnerships (PPPs).	Annual, Oct-2019	Annexed to the budget law		Recurrent/Fifth review
3	Monthly monitoring report of disbursement requests and actual disbursements	Monthly starting in Jul-18	Report submitted to Fund staff	Regularly met, proposed to be moved to the TMU as required information	Recurrent
4	Produce a quarterly report on balances payable and arrears for prior fiscal years	Quarterly, starting in Jul-18	Report submitted to Fund staff	Met	Recurrent
5	Allow open bids for LPG fuel purchases, validate compensations needed for LPG fuel in committee and regularly transfer of cash surpluses of the Hydrocarbon Prices Stabilization Agency (CSPH) to the Treasury	Jan-19	Prime Minister Decree	Not-met, proposed to be reset	Fourth review
6	Put in place a mechanism to identify the nature and reconcile the direct interventions of the SNH to ensure their monthly regularization according to the different natures of the expenditure	Jan-19	Set up a reconciliation committee and present a table of SNH interventions by type of expenditure	Not-met; completed in May	Fourth review
7	Prepare a disbursement plan for the SENDs for 2019-20 in line with the program's macro-fiscal objectives, following the discussions with development partners	Mar-19	A disbursement plan for the SENDs is sent to Fund staff	Not-met; completed in May	Fourth review
8	Close all correspondent accounts for non-revenue generating entities (mainly public administrations such as sectoral ministries and public agencies), and stop the transfer of new budget appropriations to these accounts	Jun-19	Accounting statements confirming the closure of all the accounts	Met	Fifth review
9	Complete the Treasury single account by closing all public accounts eligible to the TSA in the commercial banks and consolidate those in the Treasury and BEAC to fewer accounts	Sep-19	The TSA is functional and central government and EPA accounts are closed in commercial banks	In progress; proposed to be reset	Fifth review

Table 2. Cameroon: Prior Actions and Structural Benchmarks, 2018–19 (concluded)

		Timetable	Indicator	Status	Review	Comments
Financial sector stability and private sector led growth						
10	Quarterly payment of utility bills (ENEO, CAMWATER, CAMTEL, SONARA) based on annual budget allocations	Quarterly, starting in Sep-18	Accounting and budgetary statement indicating the monthly payments will be sent to Fund staff	Met	Recurrent	Met, improve the presentation by showing the budget allocations in addition to the actual payments.
11	Provide training in banking disputes' resolution for commercial court judges in the major business centers	Dec-18	At least 10 judges trained in the fiscal year	Not met; completed in March	Fourth review	The training was closed at the end of March 2019 with a wider scope. An evaluation report of the training will be required.
12	Computerize the register of movable collateral	Dec-18	Register available online	Met	Fourth review	
13	Decide the business model of the SME bank	Mar-19	The approved business model is submitted to Fund staff	Not met; proposed to be reset	Fourth review	The study that support the decision of the business model has been initiated but it will most likely need TA and delayed .
14	Finalize the movable collateral database by entering all movable collaterals detained by the banks	Mar-19	Register with all movable collaterals detained by the banks available online	Not met; expected to be completed by end-July 2019	Fourth review	Bankers have been trained and the recording has started.
15	Resolve the two ailing banks	Aug-19	The two banks are recapitalized or resolved	In progress; proposed to be reset	Fifth review	The decision on the resolution option is pending at the PM office which is prerequisite to initiating the Fund TA.
New and reset structural benchmarks						
1	Validate the compensations needed for LPG fuel in a committee and transfer of excess cash surpluses approved by the board of the Hydrocarbon Prices Stabilization Agency (CSPH) to the Treasury.	Aug-19	Communication of the list of the appropriate committee members and proof of the transfer of the approved cash surpluses to the Treasury	Reset SB	Fifth review	
2	Continue reforms to extend the TSA at the BEAC: (i) sign a single treasury account management agreement with BEAC; (ii) provide a census of the government accounts (and the balance of these accounts) excluding counterpart funds as at June 30, 2019; (iii) provide to the public entities holding these accounts letters explaining the reform of the STA and proposing a timetable for the closure and repatriation of the balances of these accounts to the TSA at the BEAC by end-December 2019	Aug-19	Signed agreement transmitted to IMF staff; carried out and transmitted to IMF staff, copies of correspondence sent to the IMF	Reset SB	Fifth review	
3	Enhance the accountability of project implementation units by establishing clear terms of reference and investigating the feasibility of linking remuneration to quality of project management	Sep-19	Terms of reference adopted and implemented through MINEPAT circular	New SB	Fifth review	
4	Decide the business model of the SME bank	Sep-19	The approved business model is transmitted to Fund staff	Reset SB	Fifth review	
5	Revise and simplify the existing fuel price structure	Sep-19	Decree simplifying the fuel price structure	New SB	Fifth review	
6	Transmit the contracts signed with mining and oil compagnies to the BEAC	Sep-19	BEAC confirmation of receival of the contracts	New SB	Fifth review	
7	Adopt in consultation with the COBAC and the IMF resolution plans of the two troubled banks that minimize fiscal costs	Oct-19	Communication of the approved resolution plans	Reset SB	Fifth review	
8	Finalize audits (diagnostics study) of a few major SOEs (CAMTEL, PaD, CAMAIR-Co, CAMWATER)	Dec-19	Study reports sent to Fund staff	New SB	Sixth review	

Attachment II. Technical Memorandum of Understanding

Provisions of the Extended Credit Facility (ECF) 2017–20

1. This Technical Memorandum of Understanding (TMU) defines the quantitative performance criteria and indicative objectives that will be used to assess performance in connection with Cameroon's program supported by the Extended Credit Facility (ECF) approved in June 2017. The TMU also establishes the framework and deadlines for reporting data to be used by IMF staff to assess program implementation.

Conditionality

2. The quantitative performance criteria and indicative objectives from end-June 2019 to end-December 2019 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. **The Government:** Unless otherwise noted, "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, and any other public entity belonging to the government that has autonomous legal status and whose operations are not included in the government financial operations table (TOFE).

4. **A non-financial public enterprise** is a commercial or industrial unit fully or partially owned by the government or its bodies, that sells goods and services to the public on a large scale. From June 2017, all transactions between the State and these public enterprises should be accounted for on a gross basis in the TOFE by separating the revenue transactions from those related to expenditure.

Revenue

5. **Total government resources** are comprised of tax and nontax budget revenue (as defined under Chapter 5 of GFSM 2001) and grants. Revenue is accounted for on a cash basis. Proceeds from the sale of assets and privatization revenue (defined in paragraph 8) are not considered government revenue.

6. **Oil revenue** is defined as the sum of the transferable balance of the national hydrocarbons company (SNH), and of the company income tax on petroleum companies and gas operators. The authorities will notify IMF staff of any changes in the tax system that may occur that would lead to changes in revenue flows. Oil revenue is accounted for on a cash basis.

7. **Non-oil revenue** includes all the 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 reimbursements. 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. The proceeds from privatizations also include, inter alia, 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 the sale or concession must be recorded separately under expenditure.

Expenditure

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

10. **Spending advances [interventions directes] by SNH** are part of government expenditure, and include emergency payments made by 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 (current and capital) expenditure of the Ministries of Elementary Education, Secondary Education, and Employment and Professional Training; (ii) for the health sector, current expenditure of the Ministry of Public Health; and (iii) for the other social sectors, current expenditure of the Ministries of Labor and Social Security, Youth and Citizenship Education, Social Affairs, and Promotion of Women and the Family.

Balance and Financing

12. **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 Conditionality in Fund Arrangement attached to the Executive Board Decision 15688–(14/107) adopted on December 5, 2014, but also includes commitments contracted or guaranteed, for which

value has not been received. For purposes of these guidelines, "debt" is understood to mean a direct, i.e., non-contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including monetary assets) or services, and under which the debtor to is also required to undertake to make one or more payments in the form of assets (including monetary assets) or services, according to an established schedule. These payments will discharge the debtor of the principal and/or interest liabilities undertaken in connection with the contractual arrangement. In accordance with the foregoing definition of debt, any penalties or damages awarded by a court as a result of the nonpayment of a contractual obligation that constitutes debt are debt.

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

15. Variable Interest rate debt: Starting July 1st, 2019, for future contracting of debts carrying a variable interest rate in the form of an interest rate plus a fixed spread, the grant component of the debt would be calculated using a program reference rate plus the spread (in basis points) specified in the debt contract, or where applicable on the IBRD/AfDB website. The program reference rate for the six-month USD LIBOR is 3.26 percent and will remain fixed for the duration of the program.[1] The spread of six-month EURIBOR over six-month USD LIBOR is -250 basis points. The spread of six-month JPY LIBOR over six-month USD LIBOR is -300 basis points. The spread of six-month GBP LIBOR over six-month USD LIBOR is -200 basis points. For interest rates on currencies other than Euro, JPY, and GBP, the spread over six-month USD LIBOR is -100 basis points.[1] Where the variable rate is linked to a benchmark interest rate other than those specified above, a spread reflecting the difference between the benchmark rate and the six-month USD LIBOR (rounded to the nearest 50 bps) will be added.

16. Concessional external debt: External debt is considered concessional if it comprises a grant component of at least 35 percent.[2] The grant component is the difference between the face value of the loan and its present value expressed as a percentage of the face value. The present value of debt at the date on which it is contractually arranged is calculated by discounting to present value

[1] The program reference rate and spreads are based on the "average projected rate" for the six-month USD LIBOR over the following 10 years from the Fall 2018 World Economic Outlook (WEO).

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

of the debt service payments at the date on which the debt was arranged.[3] A discount rate of 5 percent is used for that purpose.

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

- Structured debt is defined as debt that has been subject to a formal agreement (convention) or securitization (titrisation]. Under the program, structured bank debt is included in net bank credit and structured nonbank debt is reflected in nonbank financing.

  i. Structured bank debt is defined as all claims of local banks on the government, with the exception of treasury bills and bonds. This item involves securitized bank debt, the outstanding balance of which at end-2016 was CFAF 86.36 billion, plus direct advance arrangements.

  ii. Structured nonbank debt is defined as all of the government's balances payable in connection with local nonbank institutions or individuals or the CEMAC, that have been securitized of 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 nonbank financing.

- Net bank credit to the government is equal to the change in the balance between government's liabilities and assets with the national banking system. These assets include (i) cash resources on hand with the treasury; (ii) treasury deposits with the central bank, not including the Heavily Indebted Poor Counties (HIPC) account and the Debt Reduction and Development Contract (C2D) account; and (iii) the credit balance of the accounts of the Caisse Autonome d'Amortissement with commercial banks earmarked for reimbursement of the government's debt obligations. The government's outstanding balances include (i) financing from the central bank, and specifically statutory advances; 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, and specifically direct advances and loans, securities, and bills and bonds of the treasury held by local banks. Net bank credit to the government is calculated based on the data provided by the BEAC. These data should be subject to monthly reconciliations between the treasury and the BEAC.

- Net nonbank financing of the government includes (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

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

structured nonbank 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 the government abandoned by the private sector. The government's net nonbank financing is calculated by the Treasury.

19. Domestic payment arrears are the sum (i) of payment arrears on expenditure and (ii) payment arrears on domestic structured debt, and (iii) non-structured debt:

- Payment arrears on expenditure are defined as "balances payable" for which the payment lag exceeds the regulatory period of 90 days. Balances payable reflect the government's unpaid obligations. They are defined as expenditure items for which the normal expenditure execution procedures (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 (floats). 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 structured debt are defined as the difference between the amount due under a domestic debt arrangement (defined in paragraph 11) or the reimbursement of treasury securities, bills, or bonds matured 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.

- Non-structured debt is defined as:

    i. The CAA non-structured debt that is all balances payable and government liabilities transferred to the national amortization fund (Caisse Autonome d'Amortissement, CAA) that have not been subject to a formal reimbursement agreement or securitization arrangement. The outstanding balance of non-structured debt was CFAF 113.96 billion at end-2016.

    ii. The "Floating" domestic debt that includes all government commitments for which a good has been delivered or a service has been provided by a public or private service provider, but that has not been committed in the budget. These obligations include bills due and unpaid to public and private enterprises but exclude the tax debt resulting from debt clearing operations with public enterprises and the execution of public contracts with external financing that have not been subject to budget commitments due to insufficient budget appropriations. The Directorate-General of the Budget in collaboration with the Treasury will carry out a monthly monitoring of these commitments.

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 PC excludes arrears on external financial obligations of the government subject to rescheduling.

I. QUANTITATIVE PROGRAM OBJECTIVES

21. The quantitative objectives (QO) listed below are as specified in Table 1 of the MEFP. Unless otherwise noted, all quantitative objectives will be assessed on a cumulative basis from the beginning of the calendar year to which the quantitative objectives apply. The quantitative objectives and details for their assessment are provided below.

A. Non-Oil Primary Balance

Performance Criterion

22. A floor for the non-oil primary balance (commitment basis) 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 government financial operations table (TOFE), and particularly between the data on budget operations reported by the treasury and data on financing reported by the BEAC, the CAA, and the treasury, the cumulative level of financing gap in the TOFE (which includes the 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 financing gap in the TOFE will be transmitted on a monthly basis within six weeks from the end of the month.

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

Performance Criterion

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

Adjustment

26. The ceiling on net domestic financing of the government excluding net financing from the IMF will be adjusted if the disbursements in connection with external budget support net of external debt service and the payment of external arrears are below the programmed levels.

27. 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 pour each quarter in 2019. This ceiling may be revised to reflect the rate of budget aid disbursements during the year.

Cutoff Dates for Reporting Information

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

C. Disbursement of Non-Concessional External Debt

Performance Criterion

29. **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 contractual debt for projects' financing. 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

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

D. Net Borrowing of the Central Government from the Central Bank

Performance Criterion

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

32. The ceiling on net borrowing of the central government from the BEAC will be adjusted if the disbursements in connection with external budget support are below the programmed levels.

33. **At** the end of each quarter, if disbursements of external budget 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 in 2019. This ceiling may be revised to reflect the rate of budget aid disbursements during the year.

Cutoff Dates for Reporting Information

34. The detailed information on all financing from the BEAC to the government and the balance of the special account of the unused statutory advances must be reported within six weeks after the end of the month.

E. Non-Accumulation of External Payment Arrears

Performance Criterion

35. **A ceiling of zero on the accumulation of external payment arrears** is defined as a continuous quantitative objective in Table 1 of the MEFP. This performance criterion applies to the accumulation of new external arrears as defined in paragraph 19 of this Memorandum. In connection with the program, the government undertakes not to accumulate any new 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 a continuous basis. This PC would be measured on a cumulative basis from the time of approval of the program.

Cutoff Dates for Reporting Information

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

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

Performance Criterion

37. **A ceiling on new non-concessional external debt contracted or guaranteed by the government** is defined as a continuous quantitative objective in Table 1 of the MEFP. The government undertakes on an ongoing basis not to contract or to guarantee any non-concessional external debt above the ceiling indicated in Table 1 of the MEFP . This performance criterion is applicable to external debt as defined in paragraph 14 of this Memorandum. It uses the concept of concessionality as defined in paragraph 16 of this Memorandum. This performance criterion is also applicable to any debt guaranteed by the government that constitutes a contingent liability as defined in paragraph 14 of this Memorandum. Moreover, this criterion is applicable to public enterprises defined in paragraph 4 that receive transfers from the government, to municipalities, and other entities of the public sector (including agencies of general government and professional,

scientific and technical organizations). However, this performance criterion is not applicable to borrowing arranged in CFA francs, treasury bills and bonds issued in CFA francs on the CEMAC regional market, regular short-term loans from suppliers, regular import credits, loans from the IMF or debt relief or rescheduling. For the purposes of this PC, debt relief is defined as a restructuring with the existing creditor on terms that reduce the net present value of the debt, and debt rescheduling, defined as operations with the existing creditor that extend the weighted average maturity of the cashflows without increasing net present value. This commitment is a performance criterion to be met on an ongoing basis. The ceiling on new non-concessional external debt set out in Table 1 of the MEFP will apply to new debt contracted or guaranteed per calendar year and not on a cumulative basis from the date of program approval.

38. Starting from the date of completion of the fourth review, the ceiling under the performance criterion on new non-concessional external debt is limited to external debt contracted or guaranteed in relation to those projects specified in the list in Text Table 1. Any contracting or guaranteeing of new non-concessional external debt for projects other than those listed in Text Table 1 below would result in the nonobservance of the PC. Non-concessional external debt in the list below already contracted or guaranteed in 2019 counts against the 2019 calendar year ceiling specified in Table 1 of the MEFP.

Adjustment

39. The ceiling on new non-concessional external debt contracted or guaranteed by the government will be adjusted upwards to accommodate the non-concessional budget support from the AFDB and France for debt management operations. The debt management operations are those that improve the overall profile of public debt (as per para 35 of the guidance note on debt limits SM/15/125).

Cutoff Dates for Reporting Information

40. The monthly situation of 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 PC is monitored continuously by the authorities and any contracting or guaranteeing of debt should be immediately reported to the Fund.

Text Table 1. Cameroon: 2019 List of Projects Under the NCB Target

1	SONARA(debt repayment, projects and working capital), signed on 4/26/2019
2	Project for the Construction of the Ebolowa-Kribi (225 KV) and Mbalmayo-Mekin (90 KV) transmission lines and related works
3	Project for the Construction of the Olama-Kribi Road (Section Bingambo-Grandzambi)
4	Project for the Construction and Equipment of the Annex Building of the Mbalmayo Regional Hospital
5	Project for the Development of the Value Chain in Lifestock and Fish Breeding
6	Construction of 225 KV Transmission Lines Between N'Gaoundéré and Tibati
7	Project for the Interconnection of Electricity Networks between Cameroon and Chad
8	Menchum Hydroelectric Development Project
9	Road Program Phase 3 (Ring Road)
10	Project for the purchase of rolling stock for CAMRAIL (Phase 1)
11	Regional project for the socioeconomic reintegration of young people
12	Construction of the 225 KV Electric Power Transmission Line for the Supply of the KRIBI Industrial Port Complex (Phase 1), Tranche 1
13	Project for the expansion of the intelligent urban surveillance system at national level (Phase I, 1,500 cameras)
14	Construction of the 225 KV Electric Power Transmission Line for the Supply of the KRIBI Industrial Port Complex (Phase 1), Tranche 2
15	Projets for the Rehabilitation of the CRTV
16	Phase II PLANUT "Fisheries and Livestock" Component
17	Project for the Construction of the Olama-Kribi Road (Section Bingambo-Grandzambi)
18	Project for the Construction of 2,412 drinking water drilling equipped with Human-Powered Pumps in the Northern Regions of Cameroon (PLANUT)
19	Development Works of the Logistics Zone of the Kribi Port
20	Project 25 wagons
21	Project for the Renovation of the National Center for the Rehabilitation of Disabled Persons (CNRPH) - Cardinal Paul Emile LEGER
22	Feasibility and design studies for the project to supply water to the cities of Buea, Tiko and Mutenguene

II. OTHER INDICATIVE QUANTITAVE OBJECTIVES

A. Non-Oil Revenue

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

B. Net Accumulations of Domestic Payment Arrears

42. A ceiling on net accumulations of domestic payment arrears is defined as an indicative objective in Table 1 of the MEFP. Domestic payment arrears are defined in paragraph 18 and excludes the non-structured debt not authorized by the Treasury (issuance of payment order by the Treasury).

C. Social Expenditure

43. A floor on social expenditure as defined in paragraph 11 is defined as an indicative objective in Table 1 of the MEFP. This expenditure is monitored regularly in connection with program implementation.

Cutoff Dates for Reporting Information

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

D. Share of Exceptional Expenditures on Total Authorized Expenditures Excluding Debt

45. A ceiling on the share of exceptional expenditures on total authorized expenditures excluding debt is defined as an indicative target in Table 1 of the MEFP. This target will be calculated based on the ratio between exceptional expenditures (expenditures excluding debt service paid without prior authorization which include cash advances, provisional budget commitments, and advance funds) and the total authorized expenditures excluding debt service that are domestically financed (including salaries). Exceptional expenditures will be monitored regularly as part of the program implementation.

Cutoff Dates for Reporting Information

46. Monthly accounting statements showing the amount of cash advances, provisional budget commitments, and advance funds must be reported to IMF staff within 3 weeks of the end of each

month. The spending authorizations ("ordonnancements") presented in the table M1 of the TOFE will be used to compute this ratio.

III. DATA SUBMISSION REQUIREMENTS

47. 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 immediately 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 the data**	**Reporting Lag**
Government finances			
The government financial operations table (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 objectives of the program can be determined as scheduled. If information on physical execution of externally financed projects is not available, the information on requests to withdraw funds from the donors will be used).	Ministry of Finance (MINFI)	Monthly	6 weeks
Domestic budget financing (net bank credit to the government, stock of treasury bills and bonds pending reimbursement, domestic debt reimbursement status, privatization revenue, and abandoned claims)	MINFI/BEAC	Monthly	6 weeks
Implementation status of social expenditure defined in Paragraph 11	MINFI	Monthly	6 weeks
Status of balances payable for the current fiscal year (orders unpaid) making the distinction between those over 90 days and those under 90 days	MINFI	Monthly	6 weeks
Domestic debt reimbursement status	MINFI/BEAC	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 arrangements in the process of negotiation)	MINFI/CAA	Monthly	6 weeks/ The contracting or guaranteeing of external debt, and the occurrence of external arrears should be immediately reported
Monthly monitoring report of disbursement requests and actual disbursement	CAA/MINEPAT	Monthly	2 weeks1

Table 1. Summary of Data Reporting Requirements (continued)			
A quarterly report on the consistency of (i) monetary statistics reflecting the net treasury position with data from the TOFE on net domestic financing from the banking system and (ii) data on external debt produced by the CAA and on net external financing from the TOFE	MINFI/BEAC	Quarterly	8 weeks
Data on 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
Accounting statements showing the amount of cash advances, provisional budget commitments, and advance funds	MINFI	Monthly	3 weeks
Monthly report on the validation of the TABORD and the balance of accounts based on a contradictory checking by the different administrations	MINFI	Monthly	6 weeks
Publish the petroleum product price structure	MINFI	Monthly	1st week of the current month
Prices, consumption, and taxation of petroleum 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 (or the ex-refinery price from SONARA) to obtain the retail price; (iii) volumes purchased and distributed for consumption by the petroleum distributor (SONARA), 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 unpaid subsidies	MINFI	Monthly	4 weeks
Monthly statement of the correspondent accounts (including Account 42) and consignment deposits with the treasury broken down into major categories (administrative services, public enterprises, public administration enterprises, international organizations, private depositors, and other)	MINFI	Monthly	6 weeks

Table 1. Summary of Data Reporting Requirements (continued)			
Provide revenue forecasts for the Directorate General of Taxes; Directorate General of Customs; and Directorate General of Treasury, Financial, and Monetary Cooperation by type of tax on an annual basis and on a monthly basis, and outturn as compared with forecasts	DGI, DGD, DGTCFM	Monthly	6 weeks
VAT reimbursement balance (requests for reimbursement, payments made, and status of the VAT reimbursement account)	MINFI/DGI	Monthly	6 weeks
DGI/DGD collaborative joint quarterly reports identifying, inter alia, results in terms of the identification of fraud and additional revenue collected	DGI/DGD	Quarterly	6 weeks
Status of the SNH, including volumes exported, prices, exchange rates, operating costs, spending advances, commitments to the government, and the balance transferable to the Treasury	MINFI	Monthly	6 weeks
Include the total petroleum receipts of national oil company SNH and direct interventions in the monthly table of government financial operations (TOFE)	MINFI	Monthly	6 weeks
Budgetary and accounting statement showing the payment of utility bills to utility companies (ENEO, CAMWATER, CAMTEL, SONARA)	MINFI	Monthly	3 weeks
The situation of payments of subsidies and tax liabilities of public enterprises	MINFI	Quarterly	6 weeks
Publish quarterly budget execution reports.	MINFI	Quarterly	6 weeks
Monetary sector			
Consolidated balance sheet of monetary institutions	BEAC	Monthly	6 weeks
Provisional data on the comprehensive monetary survey	BEAC	Monthly	6 weeks
Final data on the comprehensive monetary survey	BEAC	Monthly	10 weeks
Government net position	BEAC	Monthly	6 weeks
The balance of the special account of the unused statutory advances	BEAC	Monthly	6 weeks
Intervention rate and borrowing and lending 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
The trade statistics	MINFI/INS	Monthly	3 months
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	7 months after year-end
Quarterly national accounts	INS	Quarterly	3 months
Disaggregated consumer price indices (Yaoundé and Douala)	INS	Monthly	2 weeks
Quarterly inflation note	INS	Quarterly	3 months
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

CAMEROON

July 1, 2019

FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND MODIFICATION OF PERFORMANCE CRITERIA—SUPPLEMENTARY INFORMATION AND SUPPLEMENTARY LETTER OF INTENT

Approved By
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Prepared by the African Department in consultation with the Legal Department and the Strategy, Policy and Review Department

1. **This supplement provides an update on Cameroon's external arrears since the issuance of the staff report for the fourth review under the ECF arrangement.** The updated information regarding external arrears increases the level of nonobservance of the continuous performance criterion (CPC) on the non-accumulation of external arrears, for which the Cameroonian authorities have requested a waiver of non-observance based on corrective measures. The additional information does not change the thrust of the staff appraisal.

2. **The amount of new external arrears that accumulated since the Board concluded the third review under the ECF arrangement is CFAF 3.18 billion (these are in addition to the amount of CFAF 52 billion already reported in the staff report).** Besides the CFAF 52 billion already reported, one payment to Spain was missed in January and another one was missed in May 2019. The May payment was made shortly after the end of the grace period, and the authorities didn't have all the necessary information to make the January payment on time. Arrears related to the January payment have now been cleared, and penalty interests related to both amounts have also been paid. The authorities have indicated that they would strengthen the monitoring of debt service falling due. Given the small amount of the new arrears (0.01 percent of GDP) and the authorities' corrective action, staff continues to support the authorities' request for a waiver of non-observance of this PC.

3. **A revised supplementary letter of intent is attached to this supplement.**

Supplementary Letter of Intent

July 1, 2019

Madame Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street N.W.
Washington, D.C. 20431
U.S.A.

Madam Managing Director:

Further to the Letter of Intent dated June 17, 2019, that I have sent to you in order to request the conclusion of the 4th review of the economic and financial program supported by the International Monetary Fund under the Extended Credit Facility, I wish to inform you that the amount of new external arrears that accumulated since the Board completed the third review of this program is CFAF 55.18 billion and not CFAF 52 billion as reported in the staff report as well as in the above-mentioned Letter of Intent and the attached Memorandum of Economic and Financial Policies. The additional arrears have been recently accrued towards Spain, on the one hand due to a small delay in payment of debt service beyond the grace period and, on the other hand, because the government did not have the necessary information to make the payment on time. All arrears and related penalty interests have now been fully repaid.

Sincerely yours,

/s/
Joseph Dion Ngute
Prime Minister, Head of Government

Statement by Mr. Raghani, Executive Director for Cameroon, and Mr. N'Sonde, Senior Advisor to the Executive Director July 17, 2019

1. On behalf of our Cameroonian authorities, we would like to reiterate our appreciation to Staff, Management and the Executive Board for the continued support to Cameroon which has been playing a significant role in the implementation of the regional crisis exit strategy. The authorities remain committed to the regional objective of safeguarding internal and external stability through the strengthening of foreign reserves—as reiterated by the CEMAC Heads of State in their March 24th, 2019 meeting held in N'Djamena—as well as their national program towards sustained, inclusive growth and economic transformation.

2. Recent macroeconomic developments bode well for favorable prospects in Cameroon. The country's performance under the Extended Credit Facility (ECF) arrangement remains satisfactory, despite a challenging domestic and external environment. Most quantitative performance criteria and indicative targets (ITs) under the Fourth Review have been met. The implementation of structural measures envisaged under the program is also proceeding with eight out of the eleven structural benchmarks (SBs) for December 2018 to May 2019 having been observed.

3. Going forward, the authorities are determined to pursue policies and reforms that are consistent with the program objectives. Against the backdrop of their accomplishments and commitment to the program, they request the completion of the Fourth Review under the ECF. They would also appreciate the Executive Board's approval of their requests for waivers of nonobservance of PC and modification of PCs.

Recent Economic Developments and Program Performance

4. Real GDP growth picked up in 2018 to reach 4 percent from 3.5 percent in 2017, driven by greater-than-expected oil and gas production as well as continued robust activity in the non-oil sector. The acceleration of construction projects, notably under the Africa Cup of Nations (Coupe Africaine des Nations, CAN), the expansion in financial services and buoyant exports have carried much weight. In the meantime, inflation remained low at 1.1 percent on average in 2018, well below the CEMAC convergence threshold of 3 percent.

5. Regarding fiscal developments, consolidation has progressed, notably through the broadening of the tax base, actions to recover tax arrears, and customs VAT revenues.

These helped exceed non-oil revenue projections. On the spending side, however, some overruns on capital expenditures took place by the end of the complementary period (end-February 2019). All in all, the overall fiscal deficit narrowed to 2.5 percent of GDP from 4.9 percent in 2017. The deficit was financed by domestic bank financing—exceeding the ceiling projected under the program—as well as a reduction in government deposits at the central bank.

6. As a result of swift project implementation and valuation adjustments, the public debt-to- GDP ratio grew to reach 39.3 percent at end-2018 from 37.6 percent in 2017. That said, the authorities highlight that new borrowing remained largely below program limits in 2018, including the continuous PC on new non-concessional (NC) external debt, the ceiling on disbursement of NC external debt under the program was not exceeded either, and the stock of contracted-but-undisbursed loans (SENDs) was reduced significantly to below 20 percent of GDP.

7. On the external front, the drop in agricultural production coupled with increased imports in energy products, have adversely affected the trade balance. Nevertheless, the regional central bank (BEAC)'s net foreign assets (NFA) have accumulated significantly at end- 2018 on the back of stricter enforcement of foreign exchange regulations which boosted the repatriation and surrender to BEAC of foreign currency assets. This helped meet the BEAC policy assurances and their stated objective on NFA at end-2018 in their 2018 Follow-up Letter of Support to the Recovery and Reform Programs Undertaken by CEMAC Member Countries.

8. In this context, program performance has improved. All but two quantitative PCs and four out of five ITs were met with significant margins, including the PCs on the non-oil primary fiscal balance, net domestic financing, non-concessional external debt, new non- concessional external debt contracted or guaranteed by the government, and floor on social spending. The continuous PC on the accumulation of new external payment arrears was breached only temporarily as the authorities planned to incorporate debt service due to a major creditor in the rescheduling package under discussion but they swiftly made full repayment of those arrears. The only missed PC relate to the ceiling on net BEAC financing of government was the result of difficulties in cash management.

9. On the structural front, program reforms are also progressing albeit delays often due to capacity constraints. Five SBs have been met by end May 2019, including those on training of commercial court judges to help resolve banking disputes; the state hydrocarbon public enterprise SNH data reconciliation; and the plan on SENDs disbursement. The missed SBs will be implemented in the context of next reviews.

Policy and Reform Priorities for 2019 and the Medium Term

10. Looking ahead, Cameroon will continue to contribute to the implementation of CEMAC regional strategy through fiscal consolidation and support to BEAC' s efforts to enforce foreign exchange regulations, which will further build external reserves. While prospects are positive, the authorities will strive to mitigate downside risks by enhancing the economy's resilience to external shocks, notably through stronger buffers, greater financial sector stability and development, and economic diversification.

11. As stated in their Supplementary MEFP, the authorities remain steadfast in implementing their program for the remainder of the arrangement period and will take all necessary steps to meet their commitments. They will notably (i) maintain fiscal consolidation and enhance the quality of adjustment by further broadening the non-oil revenue and reinforcing capital expenditure efficiency; (ii) bolster fiscal governance; (iii) preserve debt sustainability; (iv) strengthen financial sector stability; and (v) alleviate bottlenecks to private sector development.

Fiscal Policy and Reforms

12. The revised 2019 budget puts emphasis on rebalancing the composition of revenue and spending to account for difficulties in non-oil revenue mobilization in the first quarter of 2019 and on reprioritizing current expenditures to provision against fiscal risks stemming from energy subsidies, election-related spending and faster execution of foreign-financed investment to maintain the growth momentum. The government stands ready to take contingent measures in case fiscal risks came to materialize. These include potentially stronger controls and audits of taxpayers that are likely to underreport their income, further collection of tax arrears, increased enforcement of exemption rules, and additional efforts to reduce non-priority current expenditures.

13. Beyond 2019, the overall deficit will be further reduced to 1.5 percent of GDP through well-identified measures to: (i) broaden non-oil revenue, with actions in the areas of tax exemptions, VAT efficiency, and tax and customs administration reforms; (ii) streamline current spending; and (iii) enhance investment efficiency. In so doing, care will continue to be taken to preserve social spending. In this regard, efforts are also underway to better target subsidies to the poor and vulnerable populations, with the assistance of the World Bank. Challenges related to budget execution and cash management, notably the implementation of the State's single treasury account, will also be addressed along the lines recommended by Staff and elaborated in the Supplementary MEFP.

Preserving Debt Sustainability

14. While public debt-to-GDP is projected to stabilize this year and decline thereafter,

measures will be taken to improve debt sustainability. These include notably enhancing investment efficiency; prioritizing projects, including concessional ones, based on economic and social returns and in line with the country's development program; implementing the SENDs disbursement plan; containing the pace of new non- concessional borrowing (a continuous PC under the program); and further strengthening of debt management. Collateralized borrowing will also be avoided while the national public debt committee (CNDP)'s procedures will be strengthened to improve the traction of its advice on all new borrowing. Regarding contingent liabilities, the government is stepping up the monitoring of public enterprises and improving their management through the implementation of the 2017 SOEs legal framework and plan to revise that for public-private partnerships (PPPs). All potential PPPs will be assessed by the CNDP.

Financial Sector Policies

15. Beside the training of commercial court judges, financial sector measures will encompass: (i) banks' obligation to complete on-line collateral registration by end-July 2019; (ii) the government updating the non-performing loan (NPL) reduction plan with the Ministry of Justice and the Banking Association; and (iii) the finalization of laws to improve credit provision for adoption by the Parliament by end-August 2019 and the implementation of related decrees by year-end.

16. Actions will be pursued towards the resolution of the two troubled private banks. In this regard, the resolution plan containing a strict timeframe and minimizing costs for the State will be adopted by the government by end-October 2019 after submission to the banking commission, COBAC. Regarding the SME bank, the approval of its new business model elaborated with World Bank technical assistance is now expected by end- September 2019 following a study on SME financing needs.

Fostering Governance and a Conducive Business Environment

17. Cameroon has made progress in the World Bank's 2019 Doing Business, notably in streamlining procedures, digitalizing business applications, reducing property registration costs, and facilitating contract enforcement. The authorities will build on these achievements to further improve the business climate, notably in the areas of tax payment digitalization, trade facilitation, and customs governance, with a view to bolstering access to finance and private investment.

18. The authorities also endeavor to increase compliance with the Extractive Industries Transparency Initiative (EITI) through corrective measures, notably a second EITI validation round by end-2019 to assess the country's compliance with the initiative's requirements. Actions are also ongoing to strengthen the AML/CFT framework, in collaboration with COBAC and the World Bank. The government will better leverage the framework to fight corruption, notably through greater assistance to the national body in charge of investigating financial crimes (*Agence Nationale d'Investigation Financière,* ANIF*)*.

Conclusion

19. Our Cameroonian authorities have demonstrated strong resolve in implementing their policy and reform program in support of their development agenda and the regional strategy, amid challenging circumstances. The performance under the ECF has been broadly satisfactory and, going forward, the authorities remain fully committed to putting in place policies and reforms that are consistent with the program objectives. On their behalf, we would appreciate the Executive Board's completion of the Fourth Review under the ECF and its approval of their requests for nonobservance and modification of performance criteria.