CAMEROON

REPORT FOR THE 2021 ARTICLE IV CONSULTATION AND FIRST REVIEWS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY ARRANGEMENTS AND REQUESTS FOR WAIVERS FOR PERFORMANCE CRITERIA APPLICABILITY AND NONOBSERVANCE AND MODIFICATION OF PERFORMANCE CRITERION—DEBT SUSTAINABILITY ANALYSIS

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

Cameroon is at high risk of external and overall public debt distress. Three out of four external debt indicators breach the thresholds under the baseline scenario, with a particularly large and sustained breach for the external debt service-to-exports ratio[1]. In addition to the signals from the external debt indicators, the PV of public debt-to-GDP ratio is also above the benchmark. However, Cameroon's debt can be assessed as sustainable considering that its levels of debt and debt service indicators remain broadly unchanged compared to the previous DSA and are below those sustained in the previous year thanks to a successful issuance of the Eurobond and some progress in restructuring SONARA's domestic debt. Debt dynamics will be further bolstered by the ongoing fiscal consolidation envisaged under the IMF supported program, as well as reforms to boost exports and output. The rating is vulnerable to downside risks including more protracted and severe disruptions due to the pandemic, unsuccessful restructuring of SONARA's external debt, and resurgence of socio-political tensions.

[1] Cameroon's Composite Indicator (CI) based on the October 2021 WEO and the 2020 World Bank CPIA data is 2.70, signaling a *medium* debt-carrying capacity. The country classification is maintained at *weak* level given the need of two consecutive signals for a classification change.

On the other hand, stronger exports driven by rising international oil prices could reduce Cameroon's debt service burden. Given the high risk of debt distress, policy measures to mitigate risks, including through a gradual fiscal consolidation in line with crisis mitigation efforts, limited reliance on non-concessional borrowing, further strengthening public debt management, and prudent management of SOEs remain critical.

PUBLIC DEBT COVERAGE

1. **Debt coverage has remained unchanged since the previous DSA (Text Table 1).** Public debt coverage includes debt of the central government, expenditure floats and arrears, guarantees, debt of a public oil company SONARA[2] and external arrears of other state-owned enterprises (SOEs)[3]. The DSA does not cover local government debt as local governments are not allowed to borrow from financial markets and most of their debt is on domestic suppliers including SOEs. Other elements in the general government such as social security funds or extra budgetary funds are not covered due to lack of data, but the authorities are considering enhancing data collection on these sectors.[4] External debt is mainly defined based on currency but is adjusted for residency where data is available.[5]

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

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

2. **Debt of SOEs not covered in the DSA owing to lack of comprehensive data on cross-debt holdings could be significant and will be clarified going forward.** Total SOE debt was estimated at around 12.6 percent of GDP in the previous DSA (based on 2020 budget law annex). Considering that about 1.5 percent of GDP is owed to the government, and the DSA already includes SONARA's debt that amounts to 3.0 percent of GDP as of end-2020, the remaining stock of SOE debt not accounted in the debt stock could amount to 8.1 percent of GDP. On the other hand, the authorities' estimate of SOE debt not included in the DSA is about 1 percent of GDP (Text Table 3). The authorities are preparing an inventory of the cross-debts among SOEs and between SOEs and the state (structural benchmark for the IMF program). Based on the analysis, staff and the authorities will clarify the debt of SOEs and gradually expand the debt perimeter.

3. **The contingent liability stress test accounts for vulnerabilities associated with SOE debt not included in the debt stock, as well as risks from Public-Private Partnerships (PPPs) and financial markets (Text Table 2).** As discussed above, SOE debt not included in the debt stock is estimated at 8.1

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

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

[4] For example, the authorities are preparing a diagnostic study of the public administration pension system in the context of the ongoing IMF program (structural benchmark).

[5] This is mainly due to limited capacity in tracking debt holdings of non-residents. Debt with available data including borrowing from the Development Bank of the Central African States and treasury bills held by non-residents, both in CFAF (26.8 and 6.2 billion respectively as of end-2020) are classified as external debt.

percent of GDP as of end-2020. The capital stock of PPPs is about 7.0 percent of GDP, corresponding to a contingent liability of 2.4 percent of GDP (35 percent of the total PPP stock). Contingent liabilities from financial markets are set at the minimum value of 5 percent of GDP, which represents the average cost to the government of a financial crisis in a LIC since 1980. Estimates for other elements not covered are currently not available.

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

1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt			
		Default		Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0	percent of GDP	0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	8.1	Estimate of SOE debt not included in debt stock
4	PPP	35	percent of PPP stock	2.4	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5	
	Total (2+3+4+5) (in percent of GDP)			15.5	

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

BACKGROUND

A. Evolution of Debt

4. Public debt has continued to grow over the past ten months, although at a somewhat slower pace (Text Table 3). Preliminary estimates by staff suggest that total public and publicly guaranteed (PPG) debt is around CFAF 11,366 billion (45.6 percent of GDP) as of end-October 2021. External debt stock was estimated at CFAF 7,845 billion (31.4 percent of GDP) and domestic debt at CFAF 3,520 billion (14.1 percent of GDP).

Text Table 3. Cameroon: Evolution of Total PPG Debt

	2016		2017		2018		2019		2020 (Prel.)		Oct-2021 (Prel.)	
	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/
Total Public Debt (authorities' estimate)	**6010**	**30.0**	**6829**	**32.6**	**7933**	**35.7**	**9786**	**42.1**	**10350**	**44.1**	**11212**	**44.9**
Debt of the central government	5246	26.2	6227	29.7	7371	33.2	8695	37.4	9437	40.2	10326	41.4
External debt	3942	19.7	4649	22.2	5652	25.5	6398	27.5	6746	28.7	7446	29.8
Domestic debt (excl. arrears)	1304	6.5	1578	7.5	1719	7.7	2034	8.7	2505	10.7	2691	10.8
Unpaid government obligations (float and arrears) 2/							264	1.1	187	0.8	189	0.8
Publicly guaranteed debt (external)	66	0.3	51	0.2	46	0.2	37	0.2	29	0.1	25	0.1
Debt of SOEs (unguaranteed)	698	3.5	551	2.6	517	2.3	1053	4.5	883	3.8	861	3.4
SONARA 3/	114	0.6	108	0.5	156	0.7	745	3.2	655	2.8	649	2.6
of which: external	25	0.1	33	0.2	52	0.2	371	1.6	359	1.5	360	1.4
of which: domestic (bank debt)	89	0.4	75	0.4	103	0.5	374	1.6	296	1.3	289	1.2
Ex-SONARA 4/	584	2.9	443	2.1	361	1.6	308	1.3	228	1.0	212	0.8
of which: external	70	0.3	64	0.3	72	0.3	145	0.6	94	0.4	92	0.4
of which: domestic (bank debt)	514	2.6	379	1.8	289	1.3	164	0.7	134	0.6	120	0.5
Total External	4103	20.5	4798	22.9	5822	26.2	6951	29.9	7227	30.8	7924	31.8
Total Domestic	1907	9.5	2032	9.7	2112	9.5	2835	12.2	3123	13.3	3288	13.2
Total Public Debt (staff estimate)	**6434**	**32.1**	**7659**	**36.5**	**8512**	**38.3**	**9669**	**41.6**	**10534**	**44.9**	**11366**	**45.6**
Debt of the central government	5901	29.4	7066	33.7	7860	35.4	9037	38.9	9798	41.7	10679	42.8
External debt	3942	19.7	4649	22.2	5652	25.5	6398	27.5	6746	28.7	7446	29.8
Domestic debt (excl. arrears)	1304	6.5	1578	7.5	1719	7.7	2034	8.7	2505	10.7	2691	10.8
Unpaid government obligations (float and arrears) 2/	655	3.3	838	4.0	489	2.2	606	2.6	547	2.3	542	2.2
Publicly guaranteed debt (external)	66	0.3	51	0.2	46	0.2	37	0.2	29	0.1	25	0.1
Debt of SOEs (unguaranteed)	467	2.3	542	2.6	606	2.7	594	2.6	706	3.0	662	2.7
SONARA 3/	457	2.3	534	2.5	597	2.7	585	2.5	698	3.0	653	2.6
of which: external (incl. arrears)	293	1.5	383	1.8	446	2.0	386	1.7	370	1.6	365	1.5
of which: domestic	165	0.8	151	0.7	151	0.7	199	0.9	328	1.4	288	1.2
Ex-SONARA (external) 4/	10	0.0	9	0.0	9	0.0	9	0.0	8	0.0	9	0.0
Total External	4310	21.5	5092	24.3	6152	27.7	6831	29.4	7154	30.5	7845	31.4
Total Domestic	2124	10.6	2567	12.2	2360	10.6	2838	12.2	3380	14.4	3520	14.1

Sources: Cameroonian authorities and IMF staff calculations.

1/ Reflects rebasing of the national accounts from 2005 to 2016 as described in paragraph 11.

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

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

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

5. The composition of external debt has changed moderately. The share of multilateral debt continued to increase, amounting to 40.6 percent of the total PPG external debt as of end-October 2021 (Text Table 4). In Cameroon's bilateral debt, debt owed to China represents 62 percent of total bilateral debt. Commercial debt includes a newly issued Eurobond (CFAF 449 billion) as well as remaining Eurobond issued in 2015 (CFAF 93 billion). Around 40 percent of external debt is on concessional terms and 39 percent is denominated in Euros. Average maturity stood at 9.0 years for external debt (excluding SONARA's debt), while the weighted average interest rate stood at 2.4 percent. Around 24 percent of external debt has a flexible interest rate.

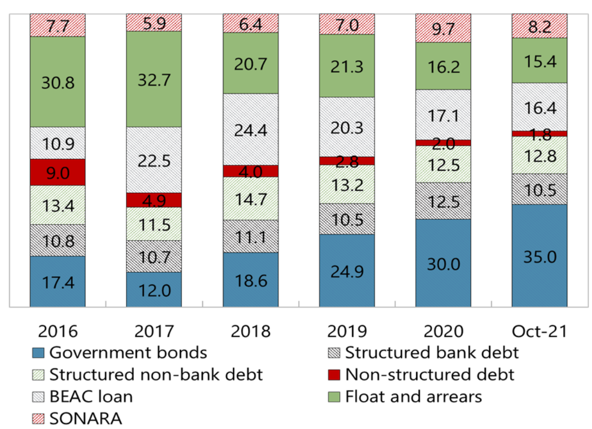
Text Table 4. Cameroon: External Debt Composition

	2016	2017	2018	2019	2020 (Prel.)	Oct-2021 (Prel.)	2016	2017	2018	2019	2020 (Prel.)	Oct-2021 (Prel.)
	(Billions of CFAF)						(Percent share)					
Total PPG External Debt (staff estimate)	**4310**	**5092**	**6152**	**6831**	**7154**	**7845**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Debt of the central government	**3942**	**4649**	**5652**	**6398**	**6746**	**7446**	**91.5**	**91.3**	**91.9**	**93.7**	**94.3**	**94.9**
Multilateral	**1152**	**1450**	**1995**	**2349**	**2764**	**3188**	**26.7**	**28.5**	**32.4**	**34.4**	**38.6**	**40.6**
IMF	52	191	268	302	546	665	1.2	3.7	4.4	4.4	7.6	8.5
World Bank (IDA, IBRD)	572	725	835	1026	1029	1198	13.3	14.2	13.6	15.0	14.4	15.3
African Development Bank/Fund	331	342	636	693	826	878	7.7	6.7	10.3	10.1	11.5	11.2
Other Multilateral	196	192	256	328	364	446	4.6	3.8	4.2	4.8	5.1	5.7
Bilateral	**2077**	**2440**	**2716**	**3077**	**3069**	**3210**	**48.2**	**47.9**	**44.2**	**45.1**	**42.9**	**40.9**
Paris Club	599	737	868	957	1020	1080	13.9	14.5	14.1	14.0	14.3	13.8
Non-Paris Club	1478	1703	1848	2120	2049	2131	34.3	33.4	30.0	31.0	28.6	27.2
of which: China	1441	1649	1745	1965	1895	1977	33.4	32.4	28.4	28.8	26.5	25.2
Commercial	**713**	**760**	**941**	**972**	**913**	**1049**	**16.5**	**14.9**	**15.3**	**14.2**	**12.8**	**13.4**
of which: Eurobond	450	450	450	450	450	542	10.4	8.8	7.3	6.6	6.3	6.9
Guaranteed external debt	**66**	**51**	**46**	**37**	**29**	**25**	**1.5**	**1.0**	**0.7**	**0.5**	**0.4**	**0.3**
Unguaranteed SOE debt (incl. arrears)	**303**	**392**	**455**	**395**	**379**	**374**	**7.0**	**7.7**	**7.4**	**5.8**	**5.3**	**4.8**
SONARA	293	383	446	386	370	365	6.8	7.5	7.2	5.7	5.2	4.7
Others	10	9	9	9	8	9	0.2	0.2	0.1	0.1	0.1	0.1

Sources: Cameroonian authorities, and IMF staff calculations.

6. The composition of domestic debt has shifted towards a larger share of government bonds (Text Figure 1). Government bonds issuance (including Bons du Trésor Assimilables (BTA) and Obligations du Trésor Assimilables (OTA)) continued to increase over the past ten months, driven by additional spending needs in response to the pandemic, reaching 35.0 percent of the total domestic public debt. The share of float and arrears has declined further from about 16.2 percent in end-2020 to 15.4 percent in end-October 2021. Average maturity of domestic debt (excluding the float and SONARA's debt) stood at 4 years and the average weighted interest rate at 2.9 percent.

Text Figure 1. Cameroon: Domestic Public Debt Composition



7. The stock of contracted-but-undisbursed debt (SENDs) has increased. The stock of SENDs as of end-October 2021 is estimated at CFAF 3,506 billion, 14.1 percent of GDP compared with 13.4 percent of GDP at end-2020 (Text Table 5). This includes domestic SENDs amounting CFAF 10.1 billion, which was disbursed in November 2021. The increase has been driven by new loan contracts signed with multilateral

and commercial creditors. The share of multilateral SENDs is around 57 percent. Shares of bilateral and commercial SENDs stood at 23 percent and 20 percent respectively. China continues to be the largest creditor in bilateral SENDs, accounting for about 18 percent of the total SENDs stock. In recent years, the authorities have taken important steps to enhance monitoring and management of SENDs, resulting in a reduction of overall and problematic SENDs.[6] However, the stock of SENDs remains substantial and further efforts are warranted to reassess and cancel SENDs associated with old and non-performing projects.

Text Table 5. Cameroon: Stock of SENDs

	2016		2017		2018		2019		2020 (Prel.)		Oct-2021 (Prel.)	
	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/
Stock of contracted-but-undisbursed debt (SENDs)	**3936**	**19.6**	**4328**	**20.6**	**4043**	**18.2**	**3470**	**14.9**	**3146**	**13.4**	**3506**	**14.1**
Domestic	281	1.4	178	0.9	171	0.8	65	0.3	0	0.0	10	0.0
External 2/	3655	18.2	4149	19.8	3873	17.4	3405	14.6	3146	13.4	3496	14.0
o/w multilateral	1346	6.7	1746	8.3	1627	7.3	1671	7.2	1769	7.5	1986	8.0
o/w bilateral	1783	8.9	1710	8.2	1545	7.0	1121	4.8	824	3.5	797	3.2
o/w commercial	526	2.6	693	3.3	701	3.2	613	2.6	554	2.4	713	2.9

1/ Reflects rebasing of the national accounts from 2005 to 2016 as described in paragraph 11.

2/ Excludes budget support.

Sources: Cameroonian authorities, and IMF staff calculations.

8. **No new sovereign external arrears were reported.** The DSA includes external arrears of SONARA and other SOEs, estimated at CFAF 244.1 billion and CFAF 9 billion as of end-October 2021 respectively, but no sovereign external arrears[7].

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

[6] SENDs were classified as problematic if they fulfilled at least one of six criteria: (i) the loan was signed before 2014, (ii) the loan's disbursement was zero one year after signing, (iii) the loan has not come into effect six months after signing, (iv) the deadline for the loan's disbursements has passed or has been extended at least once, (v) the deadline for the loan's disbursement is close (less than one year) and the share that is disbursed is below 50 percent, (vi) the project has not disbursed for more than one year. Problematic SENDs are estimated at CFAF 1,926 billion as of end-2020.

[7] The external arrears constitute non-payments to oil suppliers and do not reflect government insolvency and/or liquidity problems

10. External private sector debt has decreased. Private external debt has decreased to CFAF 413 billion as of end-2020. Most debt is in direct investments held by foreign parent companies and official institutions.

B. Macroeconomic Forecast

11. Sound macroeconomic policies supported the economic recovery from the 2014 oil crisis. Fiscal consolidation efforts and a tighter monetary stance at the CEMAC level contributed to a significant reduction in fiscal and external imbalances since the 2014 oil crisis. The government has engaged in consolidation efforts such as better control of expenditures on goods and services, decreases in non-priority public investments, recovery of tax arrears, reductions in tax expenditures, and improvements in tax and customs administration. As a result, the overall fiscal deficit narrowed to 2.8 percent of GDP (cash basis, including grants) in 2019. In the meantime, real GDP growth rate averaged 4.5 percent in 2014-19, supported by rapid expansion in services fueled by private consumption and investment. However, public debt level remains elevated with large exposure to external financing, and the poverty rate is high, with 37.5 percent of the population still living below the national poverty line.

12. The macroeconomic framework reflects recent economic developments as well as policies. The revised projections reflect the rebasing of Cameroon's national accounts from 2005 to 2016, which resulted in an upward revision of 3.6 percent to nominal GDP in 2016.[8] Relative to the previous DSA, real GDP growth for 2020 has been revised up from -1.5 percent to 0.5 percent, reflecting less than anticipated impact from the pandemic. Overall fiscal deficit (payment order basis, excluding grants) narrowed slightly from -3.4 percent to -3.3 percent of GDP, while the current account balance (including grants) remained unchanged at -3.7 percent of GDP. Baseline projection assumes implementation of the national vaccine deployment plan, which aims to cover 60 percent of the eligible population (+18 years old) by end-2023[9]. It also incorporates policy parameters in the context of the IMF program, which focuses on (i) mitigating the impact of the pandemic; (ii) reinforcing good governance and strengthening transparency and anti-corruption; (iii) accelerating structural fiscal reforms; (iv) strengthening debt management; and (v) improving the business environment and accelerating private-sector-led economic diversification. The program envisages a gradual fiscal consolidation path reflecting revenue measures including strengthening tax and customs administrations, streamlining tax exemptions, and recovering tax arrears, and policies to contain current spending broadly at the current level and improve the efficiency of capital spending. These measures will create space to support spending with higher economic and social impact and strengthen public investment and social protection, which would result in a gradual recovery in the medium term, followed by a more benign growth outlook, higher export bases, stronger revenue mobilization in the long run (Box 1, Text Table 6).

[8] The upward revision in nominal GDP is lower than that of the 2005 rebasing (8.6 percent) and those of the comparator countries in the region. The increase is driven by an increase of agriculture and industry contributions (3.3 and 0.9 percent respectively), while the tertiary sector contribution decreased.

[9] Vaccination rates remain relatively low. As of January 19, 6.3 percent of the eligible population were fully vaccinated and 2.8 percent received one dose. The authorities have stressed their commitment to enhance the vaccine uptake including through intensifying public awareness, increasing the number of vaccination centers and the numbers of trained health workers.

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

Medium Term, 2021-2025

- Real GDP growth is projected to average 4.6 percent of GDP, slightly adjusted compared to 4.7 percent of GDP projected in the previous DSAs reflecting more gradual recovery from the pandemic. Annual inflation is projected to remain around 2.1 percent in the medium-term, below the CEMAC convergence criteria of 3 percent.
- Overall fiscal deficit is projected to average -1.5 percent of GDP (payment order basis, excluding grants), significantly smaller than -2.4 percent of GDP projected in the previous DSA. The projections are anchored on reduced current and capital expenditures, as well as continued improvements in non-oil revenue mobilization, allowing a gradual return to the fiscal consolidation path consistent with program objectives and CEMAC convergence criterion. The revenue-to-GDP ratio (excluding grants) is projected to rise to average 15.2 percent on the back of administration modernization and base-broadening measures including streamlining tax exemptions. The current account balance (including grants) is projected to improve, averaging -3.0 percent of GDP in the medium term, supported by continued fiscal consolidation and stronger oil exports driven by higher oil prices.

Long Term, 2026-2041

- Real GDP growth is projected to average 5.4 percent in the long term, as structural reforms gain ground and private sector competitiveness and investment increase. Under their national development strategy, SND-30, the authorities are committed to take measures to boost growth, including accelerating the implementation of structural reforms, and strengthening SOE management and oversight, while promoting economic diversification. Simulations of policy reforms scenarios show sizeable positive implications on potential growth, including through greater economic diversification (domestic production and trade diversification), financial deepening, strengthened investment efficiency, and a gradual elimination of subsidies to SOEs and the removal of cross-sectoral distortions. The strategy also aims to finalize delayed infrastructure projects (Lom Pangar dam, the Memve'ele hydroelectric dam, and a drinking water supply projects), which are expected to boost production in key sectors (agriculture, manufacturing).
- The revenue-to-GDP ratio (excluding grants) is projected to rise, and to average 17.1 percent over 2026-2041 supported by the ongoing structural fiscal reforms, including revenue mobilization measures. The outlook assumes a gradual fiscal consolidation will continue beyond the program horizon. The implementation of the Medium-Term Revenue Strategy (MTRS) would boost revenue mobilization. Gradual elimination of the subsidies to SOEs will reduce the fiscal deficit. Exports of goods and services are projected to decline as a share of GDP from an average of 17.4 percent of GDP in 2021-25 to around 14.8 percent of GDP in the long-term, reflecting falling oil production, with maturing fields). The current account is assumed to gradually improve as non-oil exports remain dynamic and imports grow at a lower rate. The strength of non-oil exports is predicated on the success of measures envisaged—under SND-30 and the African Continental Free Trade Area (AFCTA)—to diversify export products, including through a new agency dedicated to export.

Text Table 6. Cameroon: Key Macroeconomic Assumptions

	2016-2019	2020	2021-2025	2026-2041
Real GDP growth (percent)				
Current 1/	3.9	0.5	4.6	5.4
ECF-EFF program request	4.0	-1.5	4.7	5.8
RCF 2 DSA Update	4.0	-2.8	4.7	5.6
Inflation (GDP deflator)				
Current 1/	1.2	0.5	2.1	1.9
ECF-EFF program request	1.7	2.0	2.0	1.9
RCF 2 DSA Update	1.5	1.2	1.9	1.8
Overall fiscal balance excl. grants, payment order basis (percent of GDP)				
Current 1/	-4.5	-3.3	-1.5	-1.5
ECF-EFF program request	-4.6	-3.4	-2.4	-1.6
RCF 2 DSA Update	-4.6	-4.6	-2.6	-1.6
Total revenue excluding grants (percent of GDP)				
Current 1/	14.6	13.2	15.2	17.1
ECF-EFF program request	15.0	13.6	15.5	17.9
RCF 2 DSA Update	15.0	12.8	14.3	14.8
Current account balance including grants (percent of GDP)				
Current 1/	-3.4	-3.7	-3.0	-2.6
ECF-EFF program request	-3.4	-3.7	-3.4	-2.1
RCF 2 DSA Update	-3.5	-5.4	-2.6	0.9
Exports of goods and services (percent of GDP)				
Current 1/	18.6	15.0	17.4	14.8
ECF-EFF program request	19.2	15.7	17.6	15.8
RCF 2 DSA Update	19.2	14.5	16.6	14.9
Oil price (US dollars per barrel)				
Current 1/	56.3	41.3	69.6	69.3
ECF-EFF program request	56.3	41.3	53.6	50.5
RCF 2 DSA Update	56.3	41.7	49.1	51.2

Sources: Cameroonian authorities; IMF staff calculations.
1/ Reflects rebasing of the national accounts from 2005 to 2016 as described in paragraph 11.

13. **Financing assumptions have been updated based on the most recent data.** Cameroon's public gross financing needs over the 2021-2024 period is estimated at CFAF 6,901 billion (25.4 percent of GDP), of which average 65 percent is assumed to be financed externally.[10] The DSA reflects debt service suspended of CFAF 290 billion (1.2 percent of GDP) from May 2020 to December 2021 from the G20 debt service suspension initiative (DSSI). The DSA includes the Eurobond issued in July (CFAF 449 billion)[11]. The DSA also reflects IMF financing of CFAF 375 billion (SDR 483 million, 175 percent of quota) and prospective budget support from doners amounting to CFAF 477 billion in 2021-2024. Cameroon received an SDR allocation of CFAF 208 billion of which the authorities plan to use CFAF 50 billion in 2021 and 70 billion in 2022. [12] These amounts have been reflected in domestic debt through the government finance statistics data. External project financing is projected based on the budget, and the mix of disbursements is assumed to follow the composition of SENDs as of end-2020. After 2023, the composition gradually shifts towards

[10] The projection follows the budget. External financing shares in the authorities' MTDS for the period 2022-2024 are 68%, 66%, 64% respectively.

[11] The newly issued Eurobond is denominated in Euros (EUR 685 million), has 12 years of maturity and 5.95% coupon rate. The authorities have repurchased 79.42 percent of the outstanding old Eurobond (CFAF 357.7 billion) which was accounted as principal repayments. The remaining old Eurobond (estimated at CFAF 93 billion) is assumed to be repaid in equal tranches in 2023-2025.

[12] The Cameroon government uses the allocated SDRs by ceding the SDRs to BEAC, which in turn makes CFAF equivalent amount of funds available to the Cameroon government. The Cameroon government remains responsible for the SDR interest payments to the Fund.

commercial borrowing, decreasing the grant element. Financing terms for new external debt is unchanged from the previous DSA. Domestic financing assumptions reflect a slightly larger share of longer maturity bonds following the authorities' MTDS but adjusted given the lack of sufficient investor base for long-term bonds. Domestic financing (excluding the BEAC loan) is projected to shift progressively towards more medium-to-long-term borrowing.

14. Financing assumptions regarding SONARA reflect latest information on debt restructuring. Following a previous agreement in 2020, SONARA signed a revised agreement with the local banks in October 2021 to restructure its debt. Total amount owed to the bank is agreed at CFAF 261 billion, to be repaid over 10 years with an interest of 5.5 percent per year. The DSA reflects this revised repayment schedule, assuming that the difference between the restructured amount (CFAF 261 billion) and the end-2020 bank debt (CFAF 287 billion) has been repaid in 2021. As in previous DSA, letters of credit provided by domestic banks (CFAF 90.3 billion at end-2020) were excluded from SONARA's debt stock, given the short-term revolving nature. Negotiations with external creditors are ongoing, with some early signs of progress which have not been confirmed.[13] As such, restructuring of debt held by external creditors including oil traders is not assumed in the baseline. Also, in line with the previous DSA, short-term debt from external oil traders is classified as arrears.[14] In addition, a portion of SONARA's medium- and long-term external debt that was due for repayment in 2020 (estimated at around CFAF 31 billion) was classified as arrears. In terms of operation, SONARA is assumed to continue functioning as an importer of refined oil, while gradually recovering its production capacity starting from 2024 and reaching 60 percent of the pre-crisis level in 2027. Among SONARA's revenue, only financing expenses (CFAF 20 billion per year) and net income are assumed to be used for debt service and accounted for as part of the fiscal revenue in DSA. The cost of potential reconstruction of the refinery operation is not incorporated in the baseline as it is still being assessed by the authorities and discussions with the insurance company are ongoing.

15. The realism tool highlights risks to the baseline projections (Figure 3). The projected 3-year fiscal adjustment is considered ambitious but achievable given distribution of LIC fiscal adjustments under the past IMF programs. The growth projection deviates from the path implied by the projected fiscal consolidation, but the impacts of the COVID-19 pandemic may not be well-captured by the exercise. Government investment is projected to recover gradually, although at a slightly slower pace compared to the previous DSA.

16. The forecast error tool indicates different debt dynamics compared to historical developments, suggesting potential challenges (Figure 4). Contribution of the current account and FDI is expected to be smaller than observed in the past, while real GDP growth and price and exchange rate is projected to further draw down external debt. Projected change in the public debt is driven by a smaller contribution of primary deficit and stronger contribution of real GDP growth. The forecast error is similar to the median of other LICs.

[13] According to local news reports, among the 9 traders to whom SONARA owes CFAF 371 billion, 7 have reached a compromise and a draft repayment agreement is pending approval from the CNDP.

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

C. Country Classification and Determination of Scenario Stress Tests

17. Cameroon's debt carrying capacity remains 'weak'. The CI score based on the October 2021 WEO projections and the 2020 World Bank CPIA score is 2.70, higher than suggested by the previous DSA. This is driven by higher reserves and stronger domestic and world growth. Remittances have remained broadly the same as in the previous DSA[15]. Although the new CI score corresponds to a medium level debt-carrying capacity, Cameroon's debt carrying capacity remains low, as two consecutive signals are required for a change in country classification (Text Table 7).

Text Table 7. Cameroon: Calculation of the CI Index

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Weak	Medium 2.70	Weak 2.65	Weak 2.58

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.302	1.27114	47%
Real growth rate (in percent)	2.719	3.818	0.10382	4%
Import coverage of reserves (in percent)	4.052	30.562	1.23838	46%
Import coverage of reserves^2 (in percent)	-3.990	9.340	-0.37268	-14%
Remittances (in percent)	2.022	1.497	0.03027	1%
World economic growth (in percent)	13.520	3.137	0.42411	16%
CI Score			2.695	100%
CI rating			**Medium**	

Reference: Thresholds by Classiciation

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

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

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

[15] Remittances inputs for the CI calculation are based on the Balance of Payment data.

DEBT SUSTAINABILITY

A. External Debt Sustainability

19. External risk of debt distress is assessed high as three indicators breach the thresholds under the baseline scenario (Table 3 and Figure 1). The external debt service-to exports ratio and the external debt service-to-revenue ratio breach their respective thresholds, with the former showing a large and sustained breach. Significant increases in debt service payments in 2021 are driven by the redemption of the maturing Eurobond. Meanwhile, the PV of external debt to-exports ratio shows a one-time marginal breach in 2021, before declining below the threshold afterward.

20. Under stress tests, thresholds for all four indicators are breached. Combined contingent liabilities shock is the most extreme shock scenario for the PV of debt-to-GDP, while Exports shock turns out to be the most extreme shock for the PV of debt-to-exports, and the debt service-to-exports ratios. Both the PV of debt-to-exports and the debt service-to-exports ratios show large breaches throughout the projection period. For the debt service-to-revenue ratio, the most extreme shock is a one-time 30 percent nominal depreciation. Historical scenarios point towards exploding PV of debt-to-GDP and PV of debt-to-exports ratios, which reflect large historical current account deficit. This differs from projections under the baseline, which assume a gradual improvement in the current account balance driven by dynamic non-oil exports and moderate imports growth supported by fiscal balance converging to the CEMAC criterion.

B. Public Debt Sustainability

21. Overall risk of public debt distress is assessed high as the PV of debt-to-GDP ratio breaches the benchmark under the baseline scenario. It is projected to decline gradually but to stay above the benchmark until 2022. The PV of debt-to-revenue ratio and the debt service-to-revenue ratio are also projected to decline gradually. The most extreme shock for all the indicators is the combined contingent liabilities, which is due to a significant size of SOE debt not captured in the debt stock. Barring this impact from SOE debt, the most extreme shock scenario for the PV of debt-to-revenue ratio and the Debt service-to-revenue ratio is the commodity shock.[16] The historical scenario projects an explosive path for the PV of debt-to-revenue, which is mainly driven by large historical primary deficits compared to projections. As discussed above, baseline projections in this DSA are based on a somewhat more gradual adjustment towards the CEMAC convergence criteria.

C. Market Module

22. The market financing tool points to low risks associated with market financing pressures (Figure 5). Cameroon's maximum three-year gross financing needs is estimated at 9 percent of GDP, which is lower than the suggested benchmark (14 percent). The latest available EMBI spread for Cameroon (306

[16] This assumes SOE debt kept at 2 percent of GDP, in line with the LIC DSA default setting, which is based on the median SOE external liability identified by a Fund staff survey conducted in 2016.

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

D. Risk Rating and Vulnerabilities

23. Cameroon is at high risk of debt distress, but debt remains sustainable. The risk of external debt distress is high as three out of four indicators breach the thresholds under the baseline scenario. The external debt service-to-exports ratio particularly shows a large and sustained breach, indicating a fragile liquidity situation. In addition to the signals from the external debt indicators, the PV of public debt-to-GDP ratio is above the benchmark, suggesting a high risk of overall debt distress. However, Cameroon's debt can be assessed sustainable as its levels of debt and debt service indicators are remain broadly unchanged compared to the previous DSA and are below those of the previous year. Efforts to restructure SONARA's debt as well the Eurobond's issuance have helped improve Cameroon's debt profile. The authorities are also committed to continuing their active debt management.

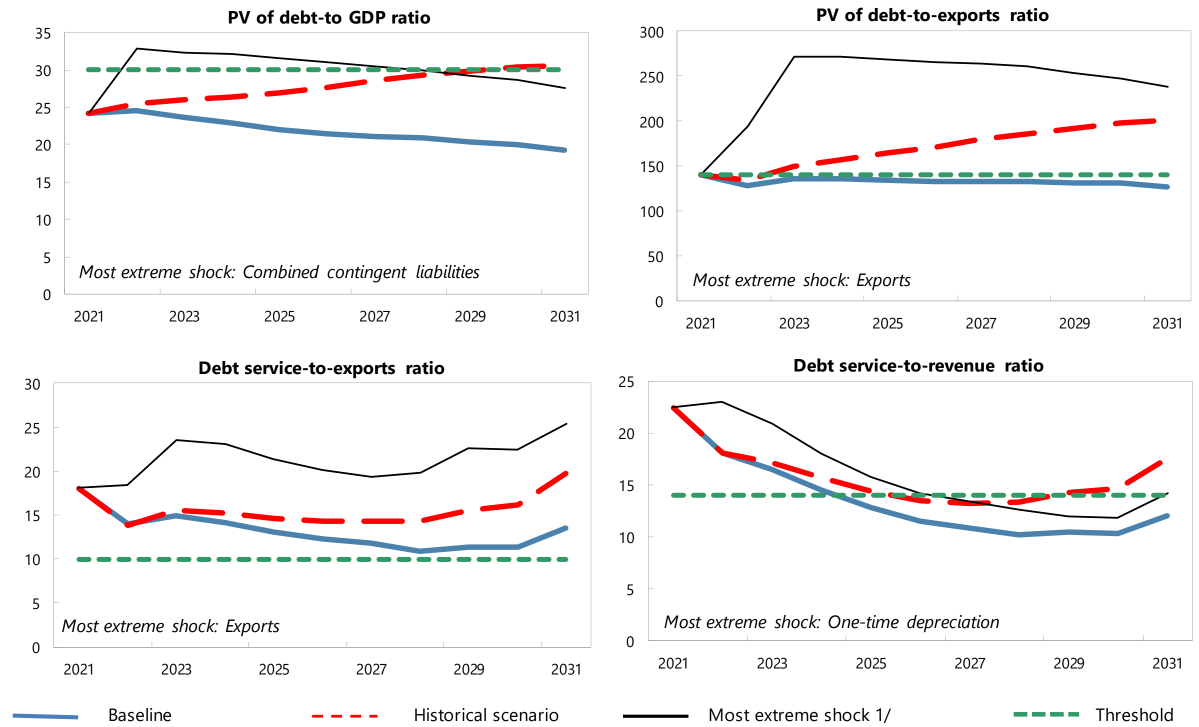
24. This rating is vulnerable to a range of risks. Key downside risks include a more protracted and severe COVID-19 shock, less-than-expected exports, resurgence of socio-political tensions, and unsuccessful restructuring of SONARA's debt. Other risks include realization of contingent liabilities from bank restructuring and from SOEs not included in the baseline of the DSA, and accelerations in disbursements due to the large stock of SENDs. On the other hand, stronger exports driven by rising international oil prices could reduce Cameroon's debt service burden.

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

Authorities' Views

26. The authorities agreed that reducing debt vulnerabilities is a key priority to support Cameroon's economic development. They acknowledged that the risk of debt distress remains high and were committed to reducing debt vulnerability by slowing the pace of external debt growth, utilizing concessional financing where available, and limiting non-concessional borrowing only to high priority projects with proven socioeconomic and financial returns. The authorities also highlighted the positive potential implication of debt risk assessment of Cameroon's continued active debt management and ongoing efforts to boost exports and revenue, and the possible reclassification of Cameroon's composite indicator (CI) of debt carrying capacity as medium, which would depend mainly on global economic recovery and regional reserves accumulation.

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



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price /2	No	No
Market financing	No	No

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

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.0%	2.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	21	21
Avg. grace period	5	5

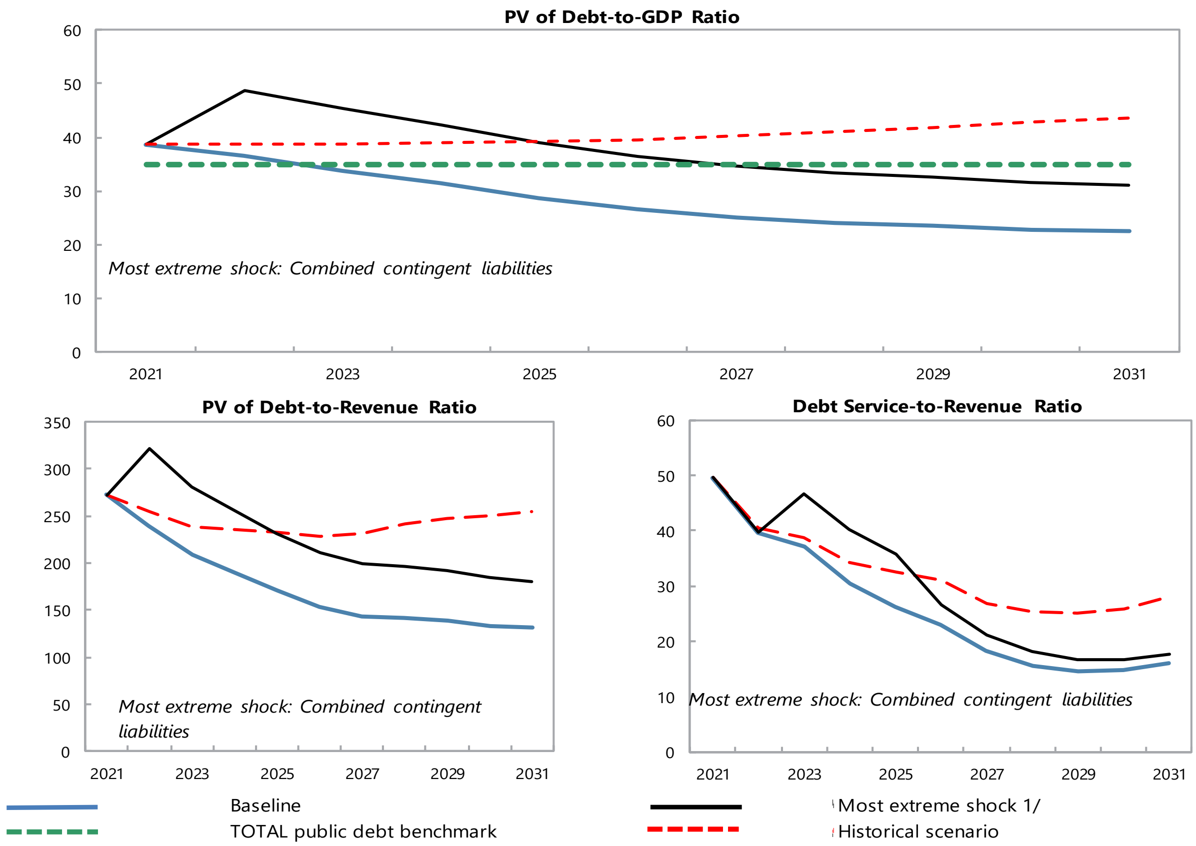
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

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

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

Figure 2. Cameroon: Indicators of Public Debt under Alternative Scenarios, 2021–2031



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	75%	75%
Domestic medium and long-term	17%	17%
Domestic short-term	8%	8%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.0%	2.0%
Avg. maturity (incl. grace period)	21	21
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.3%	3.3%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	1
Domestic short-term debt		
Avg. real interest rate	1.0%	1.0%

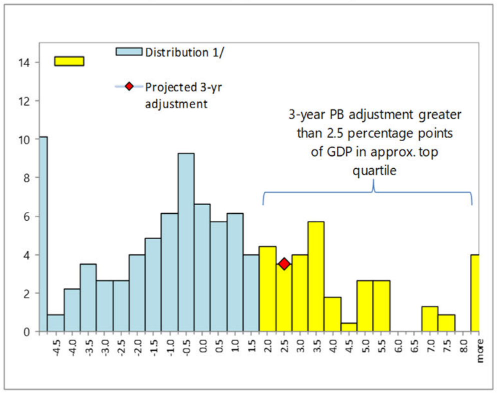
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

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

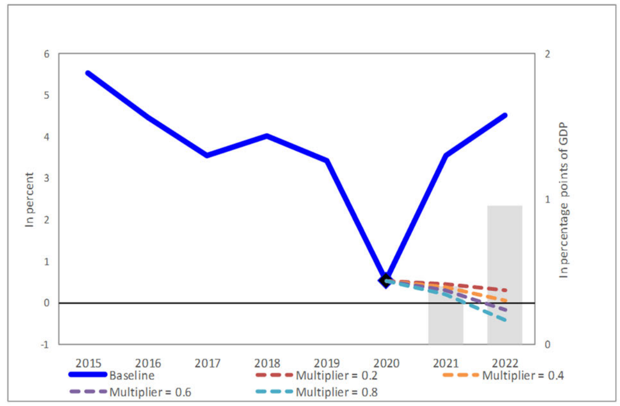
Figure 3. Cameroon: Realism Tools

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



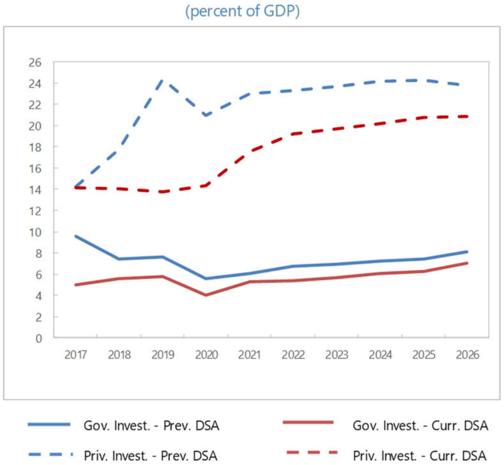
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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

Public and Private Investment Rates
(percent of GDP)



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

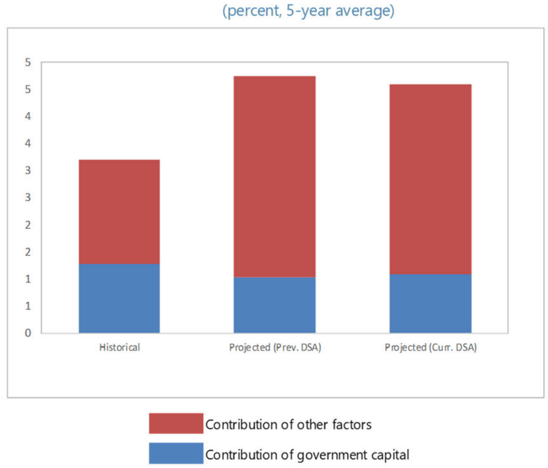
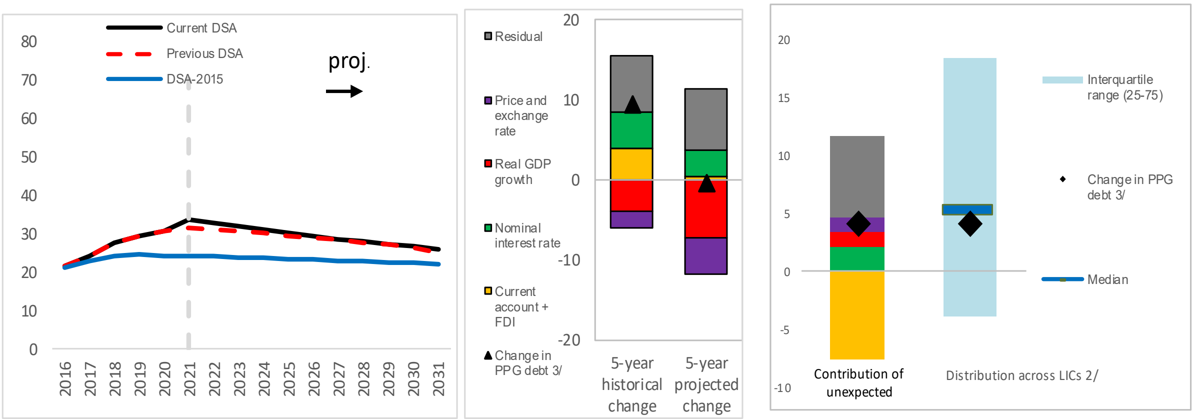


Figure 4. Cameroon: Drivers of Debt Dynamics- Baseline Scenario

Gross Nominal PPG External Debt
(in percent of GDP; DSA vintages)

Debt-creating flows
(percent of GDP)

Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)

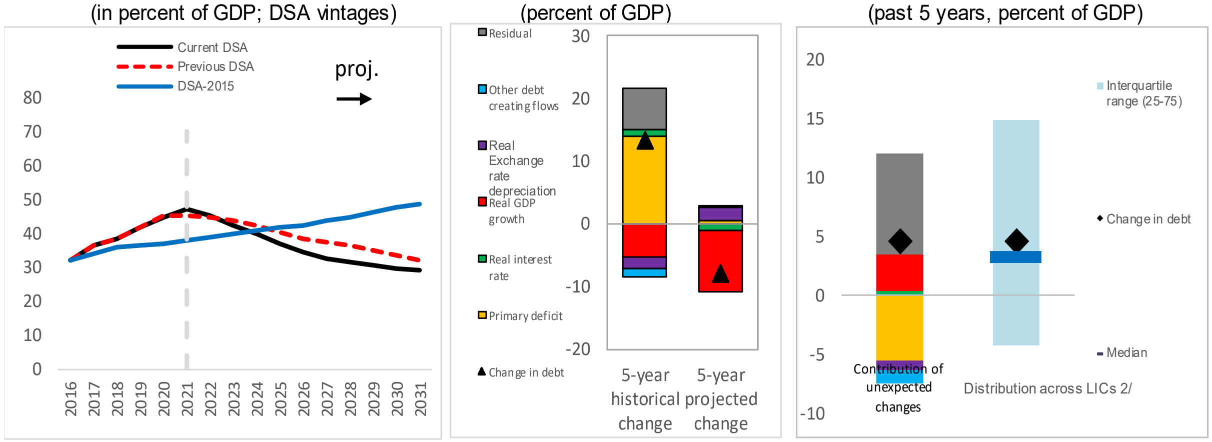


Public debt

Gross Nominal Public Debt
(in percent of GDP; DSA vintages)

Debt-creating flows
(percent of GDP)

Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)



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

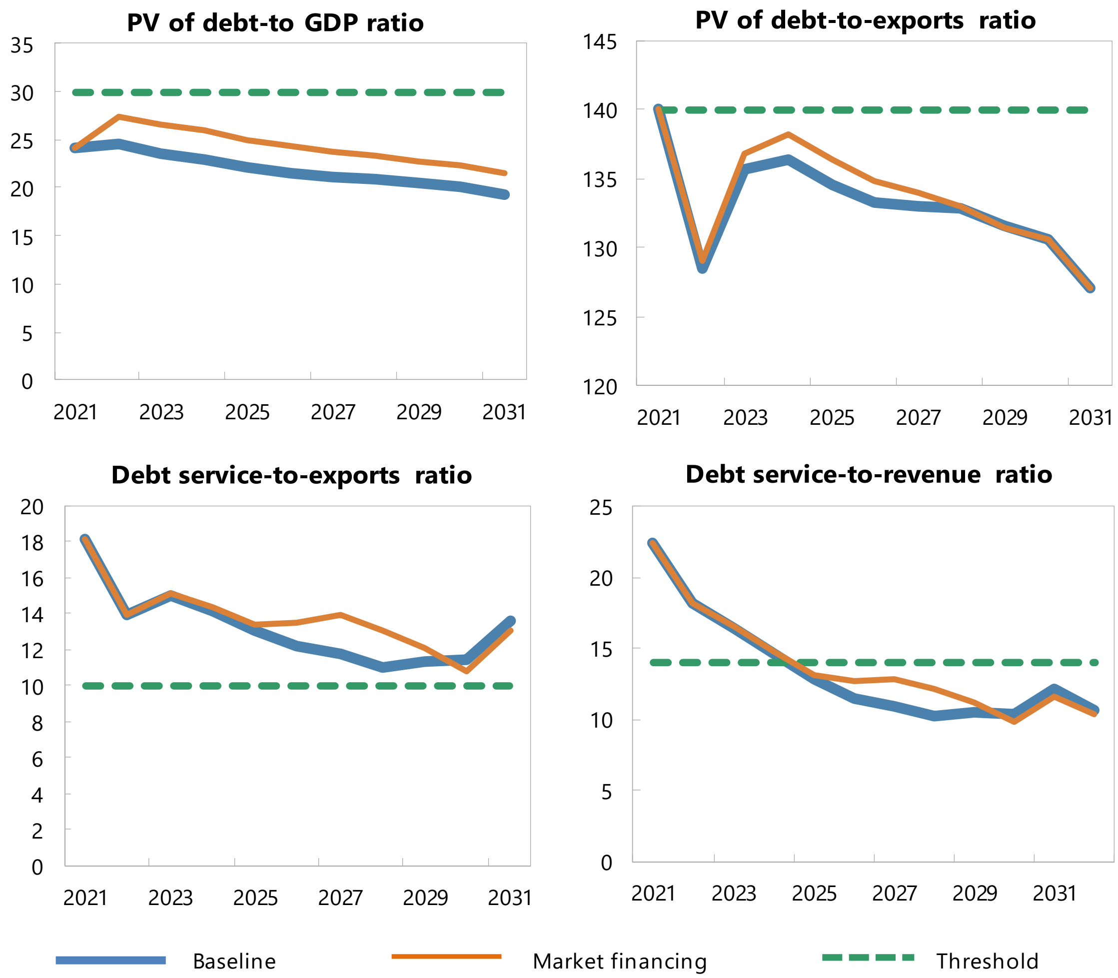
2/ Distribution across LICs for which LIC DSAs were produced.

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

Figure 5. Cameroon: Market- Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	9	306
Breach of benchmark	No	No
Potential heightened liquidity needs	Low	

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

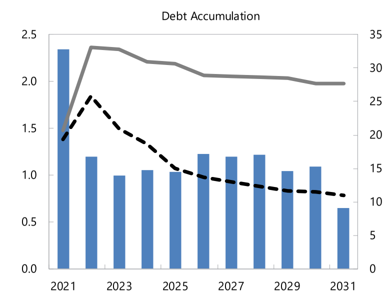


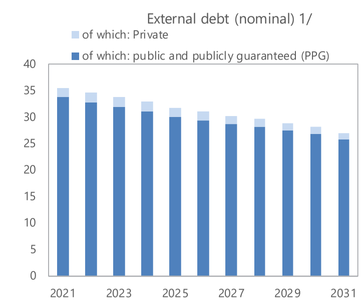
Sources: Country authorities; and staff estimates and projections.

Table 1. Cameroon: External Debt Sustainability Framework, Baseline Scenario, 2018–2041
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
External debt (nominal) 1/	29.5	32.9	32.3	35.5	34.6	33.8	32.9	31.9	31.0	27.1	19.3	**21.9**	**31.2**
of which: public and publicly guaranteed (PPG)	27.7	29.4	30.5	33.9	32.8	32.0	31.1	30.1	29.3	25.8	18.5	**19.8**	**29.6**
Change in external debt	2.6	3.5	-0.6	3.2	-0.9	-0.8	-0.9	-1.0	-0.8	-1.1	-0.4		
Identified net debt-creating flows	-0.8	2.2	1.3	0.8	-1.8	-0.8	-0.8	-0.9	-1.0	-1.0	-0.5	**0.7**	**-0.9**
Non-interest current account deficit	2.4	3.2	3.1	2.6	1.3	2.4	2.6	2.5	2.4	2.2	1.9	**2.7**	**2.3**
Deficit in balance of goods and services	2.8	3.4	2.7	2.6	1.9	3.1	3.4	3.3	3.1	3.0	2.8	**2.7**	**3.0**
Exports	18.3	19.5	15.0	17.3	19.0	17.4	16.7	16.4	16.2	15.2	13.7		
Imports	21.1	22.9	17.6	19.9	21.0	20.5	20.1	19.7	19.3	18.1	16.5		
Net current transfers (negative = inflow)	-1.1	-1.3	-1.0	-1.2	-1.3	-1.2	-1.2	-1.2	-1.1	-1.2	-1.3	**-1.0**	**-1.2**
of which: official	-0.2	-0.3	-0.2	-0.3	-0.4	-0.3	-0.2	-0.2	-0.2	-0.2	-0.3		
Other current account flows (negative = net inflow)	0.8	1.1	1.4	1.1	0.6	0.5	0.4	0.4	0.4	0.4	0.4	**1.1**	**0.5**
Net FDI (negative = inflow)	-1.6	-2.3	-1.5	-1.5	-2.2	-2.4	-2.4	-2.5	-2.5	-2.3	-1.7	**-2.0**	**-2.3**
Endogenous debt dynamics 2/	-1.5	1.3	-0.3	-0.3	-0.8	-0.9	-1.0	-1.0	-1.0	-0.9	-0.6		
Contribution from nominal interest rate	1.1	1.0	0.6	0.8	0.7	0.6	0.6	0.6	0.6	0.5	0.4		
Contribution from real GDP growth	-1.0	-1.0	-0.2	-1.0	-1.5	-1.5	-1.6	-1.5	-1.5	-1.4	-1.0		
Contribution from price and exchange rate changes	-1.6	1.3	-0.8	...	...	...	...	...	...	...	...		
Residual 3/	3.4	1.2	-1.9	2.4	0.8	0.0	-0.1	-0.1	0.2	-0.2	0.0	**1.5**	**0.4**
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	24.3	24.2	24.5	23.6	22.8	22.0	21.5	19.3	14.4		
PV of PPG external debt-to-exports ratio	...	...	162.4	140.0	128.5	135.6	136.4	134.6	133.2	127.0	104.8		
PPG debt service-to-exports ratio	17.3	19.3	10.2	18.1	13.9	15.0	14.1	13.0	12.2	13.6	10.0		
PPG debt service-to-revenue ratio	20.8	25.2	11.5	22.4	18.1	16.4	14.5	12.8	11.5	12.1	7.8		
Gross external financing need (Billion of U.S. dollars)	2.6	3.0	1.6	2.2	1.0	1.5	1.5	1.4	1.4	2.0	3.1		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.0	3.4	0.5	3.5	4.5	4.8	5.0	5.1	5.1	5.3	5.5	**3.7**	**4.9**
GDP deflator in US dollar terms (change in percent)	6.5	-4.1	2.4	6.4	-0.7	3.0	2.7	3.0	2.8	1.9	1.9	**0.6**	**2.5**
Effective interest rate (percent) 4/	4.5	3.5	1.9	2.6	2.0	2.0	1.9	2.0	1.9	2.0	2.1	**3.3**	**2.0**
Growth of exports of G&S (US dollar terms, in percent)	12.3	5.5	-21.0	27.2	14.4	-1.4	3.9	5.9	6.6	6.2	6.6	**1.7**	**7.9**
Growth of imports of G&S (US dollar terms, in percent)	16.9	7.6	-20.7	24.4	9.2	5.7	5.8	5.8	6.0	6.3	6.6	**2.1**	**7.9**
Grant element of new public sector borrowing (in percent)	...	...	...	20.7	33.1	32.8	30.9	30.7	28.9	27.6	24.5	**...**	**28.9**
Government revenues (excluding grants, in percent of GDP)	15.2	14.9	13.3	13.9	14.7	15.9	16.2	16.7	17.2	17.0	17.7	**15.0**	**16.3**
Aid flows (in Billion of US dollars) 5/	4.2	4.6	0.1	0.7	1.0	1.0	0.9	0.8	0.7	0.8	0.9		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.4	1.8	1.5	1.3	1.1	1.0	0.8	0.6	**...**	**1.1**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	24.4	41.0	38.3	37.1	34.4	31.6	31.1	28.8	**...**	**33.1**
Nominal GDP (Billion of US dollars)	40	40	41	45	47	50	54	59	64	91	187		
Nominal dollar GDP growth	10.8	-0.8	3.0	10.2	3.8	7.9	7.9	8.3	8.1	7.4	7.6	**4.3**	**7.5**
Memorandum items:													
PV of external debt 7/	...	...	26.2	25.9	26.2	25.4	24.6	23.8	23.2	20.6	15.1		
In percent of exports	...	...	175.0	149.7	137.8	145.8	147.0	145.4	143.6	135.5	110.4		
Total external debt service-to-exports ratio	23.0	25.0	16.0	21.4	16.3	16.8	15.6	14.6	13.8	14.9	10.9		
PV of PPG external debt (in Billion of US dollars)			9.9	10.9	11.4	11.9	12.4	13.0	13.7	17.5	26.9		
(PVt-PVt-1)/GDPt-1 (in percent)				2.3	1.2	1.0	1.0	1.0	1.2	0.6	0.8		
Non-interest current account deficit that stabilizes debt ratio	-0.2	-0.2	3.7	-0.6	2.2	3.2	3.5	3.6	3.3	3.3	2.3		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

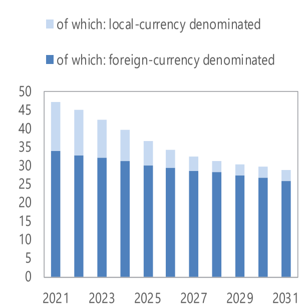
Table 2. Cameroon: Public Sector Debt Sustainability Framework, Baseline Scenario, 2018–2 041

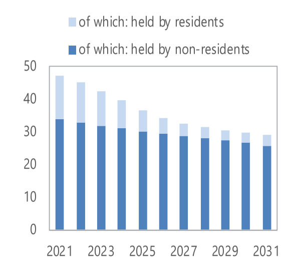
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
Public sector debt 1/	38.3	41.6	44.9	47.2	45.0	42.3	39.7	36.8	34.4	29.0	24.0	29.3	36.2
of which: external debt	27.7	29.4	30.5	33.9	32.8	32.0	31.1	30.1	29.3	25.8	18.5	19.8	29.6
Change in public sector debt	1.8	3.3	3.3	2.3	-2.2	-2.7	-2.5	-3.0	-2.4	-0.7	-0.2		
Identified debt-creating flows	-0.5	1.9	-0.1	-0.4	-2.0	-2.7	-2.4	-2.7	-2.3	-0.8	-0.3	1.9	-1.7
Primary deficit	1.3	1.9	2.1	1.7	0.7	-0.6	-0.5	-0.8	-0.5	0.8	0.9	2.8	0.2
Revenue and grants	15.6	15.5	13.5	14.2	15.2	16.2	16.5	16.8	17.3	17.2	17.8	15.3	16.5
of which: grants	0.4	0.6	0.1	0.3	0.5	0.3	0.3	0.2	0.1	0.1	0.1		
Primary (noninterest) expenditure	16.9	17.5	15.6	15.9	15.9	15.6	16.1	16.0	16.9	17.9	18.7	18.0	16.8
Automatic debt dynamics	-0.4	-0.3	-2.2	-2.1	-2.8	-2.1	-1.9	-1.9	-1.8	-1.6	-1.2		
Contribution from interest rate/growth differential	-1.5	-1.1	0.1	-2.1	-2.8	-2.1	-1.9	-1.9	-1.8	-1.6	-1.2		
of which: contribution from average real interest rate	-0.1	0.1	0.4	-0.5	-0.7	0.0	0.1	0.0	0.0	-0.1	0.1		
of which: contribution from real GDP growth	-1.4	-1.3	-0.2	-1.5	-2.0	-2.1	-2.0	-1.9	-1.8	-1.5	-1.3		
Contribution from real exchange rate depreciation	1.1	0.8	-2.4	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	-1.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	-1.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	2.3	1.4	3.4	2.7	-0.1	0.0	-0.1	-0.2	-0.1	0.1	0.0	1.2	0.2
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	37.2	38.7	36.5	33.7	31.3	28.7	26.5	22.4	19.8		
PV of public debt-to-revenue and grants ratio	...	...	275.9	272.6	240.1	208.2	189.5	170.2	153.0	130.8	111.3		
Debt service-to-revenue and grants ratio 3/	20.3	24.3	49.3	49.6	39.7	37.0	30.4	26.2	22.9	16.1	16.5		
Gross financing need 4/	4.7	7.7	8.7	8.7	6.8	5.4	4.6	3.6	3.5	3.5	3.8		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.0	3.4	0.5	3.5	4.5	4.8	5.0	5.1	5.1	5.3	5.5	3.7	4.9
Average nominal interest rate on external debt (in percent)	3.0	2.8	2.1	2.1	2.0	1.8	1.7	1.7	1.7	1.8	1.9	2.8	1.8
Average real interest rate on domestic debt (in percent)	-1.8	-1.2	1.0	0.0	0.3	2.2	2.2	1.7	1.7	0.9	3.0	-1.7	1.2
Real exchange rate depreciation (in percent, + indicates depreciation)	4.5	3.0	-8.0	...	...	...	...	...	...	...	...	0.9	...
Inflation rate (GDP deflator, in percent)	1.8	1.2	0.5	2.6	2.9	1.4	1.5	2.0	2.0	1.9	1.9	1.9	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	-4.2	6.6	-10.3	5.6	4.8	2.5	8.4	4.8	10.7	6.0	6.0	4.5	6.3
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-0.5	-1.3	-1.2	-0.6	2.9	2.1	2.1	2.1	2.0	1.5	1.1	-1.0	1.7

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

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

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

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

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

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

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

(In percent)

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of debt-to GDP ratio											
Baseline	24	24	24	23	22	22	21	21	20	20	19
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	24	26	26	26	27	28	29	29	30	**30**	**31**
B. Bound Tests											
B1. Real GDP growth	24	26	26	25	24	24	23	23	22	22	21
B2. Primary balance	24	26	**30**	30	29	28	28	27	26	26	25
B3. Exports	24	28	**32**	**31**	**30**	29	29	28	27	26	25
B4. Other flows 3/	24	25	25	24	24	23	23	22	22	21	20
B5. Depreciation	24	**31**	27	26	25	25	24	24	24	23	23
B6. Combination of B1-B5	24	29	29	28	27	26	26	25	24	24	23
C. Tailored Tests											
C1. Combined contingent liabilities	24	**33**	**32**	**32**	**32**	**31**	**30**	30	29	29	28
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	24	25	26	25	24	24	23	23	22	21	20
C4. Market Financing	24	27	27	26	25	24	24	23	23	22	22
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	**140**	129	136	136	135	133	133	133	132	131	127
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**140**	134	**149**	**158**	**164**	**171**	**179**	**187**	**193**	**199**	**202**
B. Bound Tests											
B1. Real GDP growth	**140**	129	136	136	135	133	133	133	132	131	127
B2. Primary balance	**140**	138	**174**	**177**	**176**	**175**	**174**	**173**	**171**	**168**	**163**
B3. Exports	**140**	**194**	**271**	**272**	**269**	**265**	**264**	**261**	**254**	**248**	**238**
B4. Other flows 3/	**140**	133	**145**	**146**	**144**	**143**	**142**	**142**	140	138	134
B5. Depreciation	**140**	129	122	123	122	120	120	120	120	120	118
B6. Combination of B1-B5	**140**	**177**	**149**	**192**	**190**	**188**	**187**	**185**	**182**	**180**	**174**
C. Tailored Tests											
C1. Combined contingent liabilities	**140**	**173**	**186**	**191**	**193**	**191**	**191**	**191**	**189**	**187**	**182**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**140**	139	**152**	**153**	**151**	**148**	**147**	**145**	**143**	**140**	135
C4. Market Financing	**140**	129	137	138	136	135	134	133	131	131	127
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	**18**	**14**	**15**	**14**	**13**	**12**	**12**	**11**	**11**	**11**	**14**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**18**	**14**	**16**	**15**	**15**	**14**	**14**	**14**	**16**	**16**	**20**
B. Bound Tests											
B1. Real GDP growth	**18**	**14**	**15**	**14**	**13**	**12**	**12**	**11**	**11**	**11**	**14**
B2. Primary balance	**18**	**14**	**16**	**16**	**15**	**14**	**14**	**13**	**15**	**15**	**17**
B3. Exports	**18**	**18**	**23**	**23**	**21**	**20**	**19**	**20**	**23**	**22**	**25**
B4. Other flows 3/	**18**	**14**	**15**	**14**	**13**	**12**	**12**	**11**	**12**	**12**	**14**
B5. Depreciation	**18**	**14**	**15**	**14**	**13**	**12**	**11**	**11**	**10**	**10**	**13**
B6. Combination of B1-B5	**18**	**17**	**20**	**19**	**17**	**16**	**16**	**16**	**16**	**16**	**19**
C. Tailored Tests											
C1. Combined contingent liabilities	**18**	**14**	**16**	**15**	**14**	**14**	**13**	**12**	**13**	**13**	**15**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**18**	**15**	**16**	**15**	**14**	**13**	**13**	**12**	**13**	**13**	**15**
C4. Market Financing	**18**	**14**	**15**	**14**	**13**	**13**	**14**	**13**	**12**	**11**	**13**
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	**22**	**18**	**16**	**15**	13	11	11	10	10	10	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**22**	**18**	**17**	**16**	**14**	13	13	13	**14**	**15**	**18**
B. Bound Tests											
B1. Real GDP growth	**22**	**19**	**18**	**16**	14	13	12	11	11	11	13
B2. Primary balance	**22**	**18**	**17**	**17**	**15**	13	13	12	13	13	**15**
B3. Exports	**22**	**18**	**18**	**16**	**14**	13	12	13	**14**	14	**15**
B4. Other flows 3/	**22**	**18**	**17**	**15**	13	12	11	11	11	11	13
B5. Depreciation	**22**	**23**	**21**	**18**	**16**	**14**	13	13	12	12	**14**
B6. Combination of B1-B5	**22**	**19**	**19**	**17**	**15**	13	12	13	13	12	**14**
C. Tailored Tests											
C1. Combined contingent liabilities	**22**	**18**	**18**	**16**	**14**	13	12	11	12	11	13
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**22**	**21**	**19**	**17**	**15**	13	12	11	12	11	13
C4. Market Financing	**22**	**18**	**17**	**15**	13	13	13	12	11	10	12
Threshold	14	14	14	14	14	14	14	14	14	14	14
Memorandum item:											
Grant element assumed on residual financing (i.e., financing required above baseline)	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	**28.0**

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

Table 4. Cameroon: Sensitivity Analysis for Key Indicators of Public Debt, 2021–2031

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	PV of Debt-to-GDP Ratio										
Baseline	**39**	**36**	34	31	29	27	25	24	23	23	22
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**39**	**39**	**39**	**39**	**39**	**40**	**40**	**41**	**42**	**43**	**44**
B. Bound Tests											
B1. Real GDP growth	**39**	**39**	**39**	**37**	**35**	34	33	33	34	34	34
B2. Primary balance	**39**	**39**	**42**	**39**	**36**	34	32	31	30	29	28
B3. Exports	**39**	**40**	**41**	**39**	**36**	33	31	30	29	28	27
B4. Other flows 3/	**39**	**37**	**35**	33	30	28	26	25	25	24	23
B5. Depreciation	**39**	**42**	**38**	34	30	27	24	22	20	19	17
B6. Combination of B1-B5	**39**	**37**	**39**	**36**	33	31	29	28	27	27	26
C. Tailored Tests											
C1. Combined contingent liabilities	**39**	**49**	**45**	**42**	**39**	**37**	35	33	33	32	31
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**39**	**39**	**39**	**39**	**38**	**37**	**37**	**37**	**37**	**37**	**37**
C4. Market Financing	**39**	**37**	34	32	29	27	25	24	23	23	22
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
	PV of Debt-to-Revenue Ratio										
Baseline	273	240	208	190	170	153	144	142	138	134	131
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	273	254	239	236	233	229	231	241	247	250	254
B. Bound Tests											
B1. Real GDP growth	273	254	238	224	209	196	192	196	198	198	200
B2. Primary balance	273	257	261	238	215	195	184	181	176	169	165
B3. Exports	273	262	254	233	211	192	181	178	171	163	157
B4. Other flows 3/	273	246	218	199	179	162	152	150	146	140	137
B5. Depreciation	273	280	235	206	179	154	138	129	120	109	101
B6. Combination of B1-B5	273	247	239	219	198	178	168	166	162	156	152
C. Tailored Tests											
C1. Combined contingent liabilities	273	321	280	256	232	211	199	197	192	185	181
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	273	291	268	262	245	227	218	216	218	217	218
C4. Market Financing	273	241	209	191	172	154	145	142	138	134	131
	Debt Service-to-Revenue Ratio										
Baseline	50	40	37	30	26	23	18	16	15	15	16
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	50	40	39	34	32	31	27	25	25	26	28
B. Bound Tests											
B1. Real GDP growth	50	41	41	34	31	28	23	21	20	21	23
B2. Primary balance	50	40	40	37	33	28	21	19	19	19	20
B3. Exports	50	40	38	32	27	24	19	18	18	18	19
B4. Other flows 3/	50	40	37	31	26	23	18	16	15	16	17
B5. Depreciation	50	40	41	34	29	26	21	18	17	17	19
B6. Combination of B1-B5	50	39	38	34	30	26	20	17	16	16	17
C. Tailored Tests											
C1. Combined contingent liabilities	50	40	47	40	36	26	21	18	17	17	18
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	50	46	44	39	35	31	26	23	22	22	24
C4. Market Financing	50	40	37	31	27	24	20	17	15	14	16

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