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December 20, 2007

**The Acting Chair's Summing Up
Cameroon—Fourth Review Under the Three-Year Arrangement
Under the Poverty Reduction and Growth Facility,
Request for a Waiver of Performance Criterion,
and Financing Assurances Review
Executive Board Meeting 07/111
December 19, 2007**

Executive Directors took note of Cameroon's performance under the program supported by the IMF's Poverty Reduction and Growth Facility. They commended Cameroon for its good fiscal performance and the implementation of structural reforms to improve public finance management, and welcomed the decline in inflation to a very low level. Directors stressed the importance of raising Cameroon's economic growth by enhancing non-oil economic performance, and reducing the economy's vulnerability to shocks. In this context, they called for faster progress in improving investment execution and in reforming rural finance and public enterprises.

Directors underscored the importance of mobilizing non-oil revenue to offset the expected decline in oil revenue and the adverse revenue impact of trade liberalization, and ensure fiscal sustainability. They urged the authorities to accelerate implementation of tax administration measures, and to take additional tax measures if needed to achieve the revenue target. In this regard, they underscored the importance of avoiding new tax incentives and rationalizing existing ones.

Directors welcomed the approval of the new framework budget law. They called for a greater effort to strengthen expenditure controls and budget monitoring, improve the quality of public spending, and accelerate the execution of capital and poverty-reducing expenditures. In this regard, they welcomed the authorities' commitment to strengthen relations with the donor community. Directors recommended that subsidies to public enterprises be contained and eliminated over time to create more fiscal space for priority spending. They welcomed the decision to adopt an automatic fuel price adjustment mechanism to reflect movements in international oil prices. More generally, Directors welcomed the authorities' intention to prepare a medium-term action plan to further improve budget management.

Directors emphasized that a prudent debt management strategy will be needed to safeguard debt sustainability. They therefore welcomed the authorities' commitment to continue to borrow only on concessional terms, and their intention to clarify the legal and

institutional framework of debt management. Directors looked forward to the finalization of the bilateral debt relief agreement with the remaining Paris Club creditor.

Directors urged decisive action to improve the business environment. They welcomed the authorities' commitment to strengthen the financial sector further by implementing the recommendations of the Financial Sector Assessment Program. They also commended the authorities' efforts to liberalize trade within the Central African Economic and Monetary Community, including through the lowering of the common external tariff. Directors encouraged the authorities to step up the implementation of public enterprise and anti-corruption reforms in order to consolidate gains in economic efficiency, strengthen the budget, and enhance the climate for private investment.