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IMF Executive Board Completes Sixth and Final Review Under PRGF Arrangement with Cameroon and Approves US$4.1 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the sixth review of Cameroon's economic performance under the three-year Poverty Reduction and Growth Facility (PRGF). The completion of the review allows for the final disbursement of an amount equivalent to SDR 2.67 million (about US$4.1 million).

The Executive Board also completed the financing assurances review and granted a waiver for the nonobservance of the performance criterion related to the non-oil primary fiscal balance in view of corrective steps taken.

The three-year PRGF arrangement for Cameroon was approved by the Executive Board on October 24, 2005 (see Press Release No. 05/236) in an amount equivalent to SDR 18.57 million (about US$28.5 million). With the completion of the fifth review, the arrangement had been extended through January 31, 2009 (see Press Release No. 08/154).

Following the Executive Board discussion, Mr. John Lipsky, First Deputy Managing Director and acting chair, said:

"The Cameroon authorities are to be commended for the good fiscal performance and stable macroeconomic environment achieved under the PRGF arrangement. Nonetheless, economic growth has been below expectations, and downside risks have increased because of declining oil prices and the deteriorating global economic environment. The authorities' renewed commitment to accelerate growth-oriented policies and reforms, while safeguarding fiscal sustainability, is therefore welcome.

"With oil revenue declining, the authorities face the difficult challenge of preserving a sustainable fiscal position while protecting priority spending. Their ability to mobilize non-oil revenue will be critical, and the revenue measures included in the 2009 budget are welcome. Additional measures may be needed should oil revenue be less than budgeted.

“The authorities’ efforts to improve the quality and effectiveness of public spending are also welcome. Lowering transfers and subsidies and redeploying resources to priority spending will be critical. More generally, the authorities’ intention to prepare investment projects in a medium-term context and to monitor carefully the implementation of the new framework budget law is appropriate.

“Prudent debt management should remain a priority in the post-debt relief period. The planned new debt management strategy that complies with CEMAC regional guidelines should be implemented swiftly.

“Accelerating economic growth requires decisive implementation of key structural reforms. The authorities are committed to further strengthening the financial sector and liberalizing foreign trade. More resolute public enterprise reforms and improvements in the business environment would help to consolidate gains in economic efficiency and open opportunities for private investment,” Mr. Lipsky said.

The PRGF is the IMF's concessional facility for low-income countries. PRGF loans carry an annual interest rate of 0.5 percent and are repayable over 10 years with a 5½-year grace period on principal payments.