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Statement at the Conclusion of an IMF Mission to Cameroon

An International Monetary Fund (IMF) mission led by Mr. Mauro Mecagni visited Cameroon during March 26-April 9, 2009 to conduct the 2009 Article IV Consultation. The mission met with Prime Minister Ephraim Inoni, several Cabinet members, senior officials, Members of Parliament, the business community, donors, and representatives of labor unions and civil society organizations.

Mr. Mauro Mecagni, Mission Chief for Cameroon, issued the following statement in Yaoundé today:

“The Article IV consultation discussions focused on assessing the state of the Cameroonian economy, the impact of the global economic crisis, and the policy challenges posed by the need to accelerate economic growth while preserving the macroeconomic stability achieved under the government program supported by the 2005-08 Poverty Reduction and Growth Facility (PRGF) arrangement.

“The global economic crisis is already affecting Cameroon through various channels. Lower oil prices are reducing exports and public revenues. Weaker external demand is noticeable in the timber, cotton, rubber and aluminum sectors, and has begun to spill over into the related transport sector. Tighter external financing conditions have caused delays in important investment projects, including in the mining sector. As a result, for 2009 the mission expects real Gross Domestic Product (GDP) growth to decelerate to about 2½ percent from 3.4 percent in 2008, in a context also of declining inflation. The overall fiscal and external balances are projected to turn to a deficit.

“The mission and the authorities agreed that the implementation of the 2009 budgetary spending plans, protecting in particular priority areas, is needed to avoid a public sector contraction in a year of declining economic growth. The resulting deficit can be financed by the prudent saving of past oil revenue windfalls, which was achieved during the recent PRGF-supported program. While not directly affected, the financial sector should be closely monitored, and plans to deepen financial intermediation accelerated to speed up the

development of the domestic bond market as alternative financing channel. The mission recommends that the authorities remain vigilant against the possibility of downside risks, and continue their efforts to improve the efficiency of public spending while preserving transparency and provision of information on budgetary operations.

“Looking forward, Cameroon is at a crossroads. Although recent macroeconomic stability achievements provide a solid foundation, including in order to withstand the impact of the global crisis, economic growth has remained too low to reduce poverty. The authorities are committed to maintain the stability achieved, and to tackle structural impediments to growth, although they realize that the global crisis will make this task more challenging. They are eager to address the constraints deriving from the insufficient supply of energy and the poor infrastructure—including for ports, roads and access to market of agricultural products—by refocusing capital spending while continuing their efforts to mobilize nonoil revenues. Decisive actions are also needed to improve governance, the weak business environment, and the still limited role of the financial sector in the development of the economy, and the agricultural sector in particular. The mission supports the authorities’ efforts and commitment to address these challenges through a medium-term economic program in the context of a new Poverty Reduction Strategy (PRSP) under preparation. The global economic slowdown and the unsettled conditions in international financial markets have increased the urgency of defining a coherent and resolute reform agenda.

“The mission would like to thank the authorities for their warm hospitality, the productive and open discussions, and the excellent cooperation received during the mission. It is expected that the IMF’s Executive Board will discuss the 2009 Article IV Consultation with Cameroon in mid-June 2009.”