International Monetary Fund

Statement at the Conclusion of an IMF Mission to Cameroon

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An International Monetary Fund (IMF) mission, led by Mr. Mario de Zamaróczy, visited Cameroon during May 2–16, 2011 to conduct the 2012 Article IV Consultation. The mission met with Prime Minister Philémon Yang, Minister Secretary General at the Presidency Ferdinand Ngoh Ngoh, Minister of Finance Alamine Ousmane Mey, Minister of Economy, Planning, and Territorial Development Emmanuel Nganou Djoumessi, several other ministers, the National Director of the Bank of Central African States (BEAC), other senior officials, and representatives of the private sector, labor unions, civil society organizations, and development partners. The discussions focused on recent economic and financial developments, the execution of the 2012 budget, and the economic outlook for 2012 and beyond. At the end of the mission, Mr. de Zamaróczy issued the following statement:

"The recovery of the Cameroonian economy has continued following the 2008-09 global crisis, with economic growth estimated at 4.2 percent in 2011, and inflation contained below 3 percent. Economic prospects remain favorable and growth is projected to reach 4.7 percent in 2012, mainly on account of a rebound in oil production and exports, an increase in public investment on large infrastructure projects, and ongoing initiatives to improve productivity in agriculture. Inflation is expected to remain subdued in 2012, mainly because of efforts to increase food supply and continuing government subsidies on fuel and some utilities.

"During 2011, oil revenue was higher than expected, past payment obligations were cleared, and more flexibility was achieved in cash flow management through the issuance of securities. However, current expenditure exceeded budgetary allocations and new unsettled payment obligations were accumulated. Efforts were made to strengthen tax and customs administration, improve public expenditure management, and deepen the dialogue with the private sector through the Cameroon Business Forum.

"The 2012 budget is expected to benefit from windfall oil revenue generated by current high international prices. However, the execution of the budget could be hampered by the carryover of unsettled payment obligations and the higher-than-budgeted cost of fuel subsidies. In addition, it is uncertain whether the full amount of the planned bond issuance will be absorbed by the domestic and regional financial market. The budget could also come under pressure from contingent liabilities from the restructuring of distressed banks and from assistance to loss-making public enterprises. To ensure that budget execution will not lead to further accumulation of domestic arrears, the mission recommended to strengthen cash flow management and to reprioritize expenditures, taking into account the financing that may realistically be mobilized.

"To preserve fiscal and debt sustainability over the medium term, it is important to reassess the fuel subsidy policy. A progressive elimination of the fuel subsidy could be accompanied by the setting up of a targeted social safety net to protect the most vulnerable segments of the population. The authorities should improve spending commitment controls to prevent further accumulation of domestic arrears and look for concessional resources to finance public investment, whenever possible. It is necessary to start rebuilding fiscal buffers. The mission supported the authorities' decision to assess contingent liabilities fully and strengthen the monitoring of the performance of public enterprises.

"The mission urged the authorities to conclude the resolution process of distressed banks swiftly to preserve financial stability and minimize costs to the public finances. It emphasized the need to engage the Central African Economic and Monetary Community (CAEMC) authorities to enhance the regional supervisory body's resources and to further define rules and decision mechanisms for the treatment of troubled banks. The mission also encouraged the authorities to speed up the implementation of reforms to remove obstacles to accessing bank credit.

"To unlock Cameroon's growth potential, the mission agreed with the authorities that it is critical to reduce the constraints to higher and more inclusive growth by continuing to address infrastructural bottlenecks, raise the quality and efficiency of public spending, and improve the business climate and governance. It is also important to accelerate regional integration. The mission was encouraged by the authorities' commitment to take action to help achieve these objectives.

"The IMF's Executive Board is expected to examine the report on the 2012 Article IV Consultation with Cameroon in July 2012. The mission would like to thank the authorities for their warm hospitality, excellent cooperation, and constructive dialogue."

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