



Executive Board Minutes 21/80-1

July 29, 2021–9:00 a.m.

Cameroon—Requests for Three-Year Arrangements Under the Extended Credit Facility and Extended Fund Facility

Documents: EBS/21/72, and Cor.1, and Sup.1, and Sup.1, Cor.1

Staff: Sy, AFR; Ilyina, SPR

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CEDA OGADA
Secretary

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¹ Minutes are the official record of a formal Board meeting in which the Board may adopt decisions and reach understandings related to the business of the Fund. Staff background documents issued before the meeting are the principal basis for the meeting. Preliminary “gray” or “buff” statements by Executive Directors and staff’s responses to Directors’ technical questions are circulated prior to the meeting. Adopted decisions and/or summings up—the Chair’s “sense of the meeting” or policy conclusions/recommendations—are issued after the meeting. The minutes include all these elements, as well as the discussion record (a verbatim transcript of the discussion lightly edited for clarity). Minutes are made public consistent with the IMF’s Transparency Policy and Open Archives Policy.

THE ACTING CHAIR’S SUMMING UP

Executive Directors noted that the COVID-19 pandemic has heightened Cameroon’s development challenges and has raised concerns about its growth prospects and external and fiscal positions. In this context, Directors supported the authorities’ request for three-year arrangements under the ECF and EFF, noting that their effective implementation would help catalyze additional donor financing and would support the authorities’ efforts to achieve a rapid post-pandemic recovery, strengthen medium-term external and fiscal sustainability, and implement their structural reform agenda toward sustained, more inclusive, and diversified growth.

Directors concurred with the authorities on the need to avoid a premature fiscal tightening that could prolong the crisis. They called for continued efforts that limit the health, economic, and social impact of the pandemic, including by enhancing social spending. Directors stressed the importance of gradually returning to the fiscal consolidation path once the pandemic abates in order to safeguard debt sustainability. In particular, they recommended modernizing the tax and customs administrations, broadening the non-oil revenue base, reducing tax exemptions, combating tax fraud and evasion, containing current spending, improving public financial management, increasing public investment efficiency, and reducing risks from state-owned enterprises particularly stemming from the national oil refinery. Given the high risk of debt distress, Directors called for strengthening debt management and limiting non-concessional borrowing to macro-critical projects for which concessional financing is unavailable, while adhering to the program’s debt ceiling.

Directors urged the authorities to further strengthen transparency, good governance, and the anti-corruption framework. They also underscored the importance of implementing structural reforms that accelerate private sector-led economic diversification and promote gender equality and a greener economy. Directors encouraged the authorities to enhance financial inclusion and closely monitor credit risks and non-performing loans to safeguard financial stability.

Directors noted that Cameroon’s program is supported by the implementation of policies and reforms by the CEMAC regional institutions, which are critical to the program’s success. Completion of the first review will be conditional on the implementation of critical policy assurances at the Union level, as established in the June 2021 Union-wide background paper.

EXECUTIVE BOARD DECISIONS

The Executive Board took the following decisions:

Cameroon—Request for a Three-Year Arrangement Under the Extended Fund Facility

1. Cameroon has requested an Extended Arrangement in an amount equivalent to SDR 322 million for a period of three years from the effective date of this decision.
2. The Fund approves the Extended Arrangement for Cameroon set forth in EBS/21/72 and decides that purchases may be made under the arrangement, on the condition that the information provided by Cameroon on the implementation of the measures specified as prior actions in Table 2 of the Memorandum of Economic and Financial Policies attached to the letter from the Prime Minister and Head of Government of Cameroon, dated July 15, 2021, is accurate.
3. The Fund waives the limitation in Article V, Section 3 (b) (iii).
4. This Decision shall become effective only upon the adoption of the decision on the arrangement under the Extended Credit Facility for Cameroon. (EBS/21/72, 07/16/21)

Decision No. 17091-(21/80), adopted
July 29, 2021

Cameroon—Requests for a Three-Year Arrangement Under the Extended Credit Facility

1. Cameroon has requested an arrangement under the Extended Credit Facility for a period of three years in an amount equivalent to SDR 161 million.
2. The Fund approves the arrangement for Cameroon set forth in EBS/21/72 and decides that Cameroon may request the first disbursement under the arrangement, on the condition that the information provided by Cameroon on the implementation of the measures specified as prior actions in Table 2 of the Memorandum of Economic and Financial Policies attached to the letter from the Prime Minister and Head of Government of Cameroon, dated July 15, 2021, is accurate. (EBS/21/72, 07/16/21)

Decision No. 17092-(21/80), adopted
July 29, 2021

EXECUTIVE BOARD ATTENDANCE²

M. Furusawa, Acting Chair

Executive Directors

A. Andrianarivelo (AF)

Z. Jin (CC)

A. Buisse (FF)

W. Keller (SZ)

Alternate Executive Directors

M. Maida (AE), Temporary

B. Lischinsky (AG), Temporary

C. White (AP)

R. Velloso (BR), Temporary

F. Lopez (CE), Temporary

G. Vasishtha (CO), Temporary

H. Azal (EC)

K. Merk (GR)

R. Goyal (IN), Temporary

F. Spadafora (IT), Temporary

M. Kashima (JA)

M. El Qorchi (MD)

P. Al-Riffai (MI), Temporary

L. Dresse (NE)

J. Sigurgeirsson (NO)

D. Shestakov (RU), Temporary

H. Saeed (SA), Temporary

F. Mochtar (ST)

K. Nelson (UK), Temporary

Rachel Lyngaas (US), Temporary

S. Bhatia, Acting Secretary

R. Dall'Orto, Summing Up Officer

D. Al-Jarbou, Board Operations Officer

L. Nagy-Baker, Verbatim Reporting Officer

Also Present

African Department: V. Arora, M. Benlamine, V. Kramarenko, A. Lahreche, M. M-Ahmed, G. Nkhata, N. Staines, A. Sy. Fiscal Affairs Department: R. Piazza. Finance Department: B. Jajko, M. Spinella. Legal Department: A. Aly, K. Kao. Strategy, Policy, and Review

² For countries in each constituency, please see the Constituency Codes in the annex.

Department: P. Garcia Martinez, A. Ilyina, S. Kim, L. O'Sullivan. World Bank Group: A. Coulibaly, R. Singh. Executive Director: S. Bhalla (IN), R. Lim (ST), M. Mahmoud (MI), P. Moreno (CE), A. Mozhin (RU), R. von Kleist (GR). Alternate Executive Director: B. Alhomaly (SA), A. Alhosani (MI), A. Guerra (CE), C. Just (EC), R. N'Sonde (AF), F. O'Brolchain (CO), O. Odonye (AE), L. Palei (RU), J. Romero (CE), P. Rozan (FF), F. Sylla (AF). Senior Advisors to Executive Directors: W. Abdelati (MI), H. Andrianometiana (AF), K. Badsı (MD), E. Cartagena (CE), M. Choueiri (MI), Patterson C. Ekeocha (AE), J. Garang (AE), J. Rojas (CE), M. Scholer (NE), S. Senich (US). Advisors to Executive Directors: F. Al-Kohlany (MI), A. Arevalo Arroyo (CE), Bah, R. (AF), Dennis Bautista (ST), M. Bernatavicius (NO), E. Boukpepsi (AF), I. Bustillo (AG), K. Carvalho da Silveira (AF), F. Dogan (EC), C. Eijking (NE), D. Fadhel (MI), Z. Huang (CC), V. Lankester Campos (CE), M. Merhi (MI), R. Moral Betere (CE), I. Ogihara (JA), K. Osei-Yeboah (MD), B. Piasecki (SZ), L. Siliva (AP), E. Comolet (FF).

DISCUSSION RECORD³

The Acting Chair (Mr. Furusawa):

In the gray statements, Directors note that the COVID-19 pandemic continues to take a heavy toll on Cameroon's economy. The pandemic is raising concerns not only about Cameroon's near-term growth prospects and macroeconomic balances but also creating challenges to its development strategy. Directors note that a rapid post-pandemic recovery, stronger medium-term external and fiscal positions, as well as robust debt sustainability can be achieved by an effective and resolute implementation of the authorities' program. Such an achievement will be the basis for the country to successfully implement its ambitious structural reform agenda with much-needed gains in terms of sustainability, inclusion, and diversification.

Directors caution against a premature fiscal tightening but also advise that once the crisis abates, a return to the fiscal consolidation path with decisive implementation of key measures to increase non-oil revenue. Achieving gains in terms of economic diversification, gender equality, financial sector stability, and inclusion, as well as a greener economy will necessitate an acceleration of structural reforms.

Directors stressed the need to be resolute and steadfast in the strengthening of transparency, good governance and the corruption framework.

Mr. Andrianarivelo:

On behalf of my authorities, I would like to thank Chair and Directors for their supportive statement and positive comments. At the outset of this discussion, I would like to emphasize on two important points.

First, on governance, our authorities wish to reiterate their strong commitment to improve governance, strengthen transparency, and combat corruption. They have put in place a range of institutional and legal frameworks on the fight against corruption and will redouble efforts to effectively implement the strategic provisions. They also reframed their strong determination to move towards greater transparency and efficiency in public financial management (PFM), and as such, they worked closely with non-governmental organizations (NGOs).

³ Edited for clarity.

To this end, the authorities have assigned a pool of Magistrates to control all COVID-19 expenses, as well as prices budget management. Once receiving recommendations and findings from this pool, authorities prosecuted included a number of senior officials and former ministers. This initiative demonstrates the authorities' determination to never let financial mismanagement go unpunished.

All prior actions related to COVID spending governance have been met. In this regard, it is worth noting that Cameroon is among the few African countries to have finalized the audit of COVID-related spending, and they are firmly committed to publish the audit reports in due course.

Second, on SONARA, my authorities have made substantial efforts to advice in debt restructuring process. On the one side, the government has decided to create an escrow account to be directly funded by the transfer of revenue received from the part of fuel pump prices, which will be used to repay SONARA arrears. On the other side, the authorities reached an agreement with all SONARA's creditors. Among the nine banks, five banks already signed a debt restructuring agreement, and they get an agreement in principle with the four remaining banks.

Regarding traders, an agreement has already been reached on July 8 with the company team leaders. As such, an agreement is also expected to be signed very soon with all traders, as confirmed by my authorities. In addition to debt restructuring, Cameroon is determined to address SONARA's structural problems. To do so, the authorities plan to undertake a structural transformation of the company. SONARA currently refines its own liquid oil. Since the country only extracts heavy oil, it is important to transform the refinery so that it can also process heavy oil, thus reducing the country's oil import and limiting exposure to traders. This project will be a public-private partnership (PPP) in order to limit additional burden on government and attract the private sector into the oil refining business.

The staff representative from the African Department (Mr. Sy):

One point I would like to flag is that we are discussing with the authorities the new IMF capacity development (CD) tool to support audits by Supreme Audit Institutions (SAI). We believe that such technical assistance will help assist the audit bench and the authorities to follow up on the recommendations of the audit report. The objective is to strengthen the transparency and accountability of COVID-19-related expenditures but also

support anti-corruption efforts by enhancing the legal and institutional frameworks needed to produce publicly disclosed audits and also follow-up on such audits, so we are really looking at this institutional accountability with our Legal Department and the authorities.

Mr. Merk:

I just wanted to make one point.

We would emphasize, and Mr. Andrianarivelo mentioned it, structural reforms should continue to focus on improving governance and removing obstacles to private investment. We think that is a key task. They should fight against corruption, AML/CFT; and in general, strengthening legal certainty is crucial to encourage private investment. For this purpose, the autonomy of the specialized anti-corruption agency needs to be strengthened in due course.

Furthermore, we urge the authorities to oversee the implementation of the necessary provisions for public officials to declare their assets. In a similar vein, we welcome the authorities' intent to respect their RCF commitments to publish the contracts related to COVID-19, issue a spending report, and publish the audit report.

Mr. Buisse:

We issued a gray statement with Ms. Riach supporting the proposed decision, so I just wish to make the following points for emphasis.

First, this is an important program for Cameroon and for the CEMAC region, and we commend staff and the authorities for presenting it today to the Board. Like Mr. Merk, we expect steadfast program implementation and unwavering support of the broader objectives of the program by the authorities. Strong political ownership and commitment at all levels of government will, indeed, be necessary and critical going forward. Given that the program is ambitious and that the authorities have a good track record in implementing previous Fund financing commitments, we support the frontloading of financing. We support the authorities' plan. My authorities will provide budget support over the course of the program.

Second, we welcome the emphasis on unmet commitments from last year's IMF emergency financing as prior actions and as a structural benchmark. It shows that prior actions can be particularly useful, and here I think they strike a good balance. We expect that it will lead to noticeable

improvement in governance, transparency, and fighting corruption, which are to be the backbone of the program. We, therefore, hope that the program will build on ongoing discussions and incorporate future important elements in these areas as they unfold. The program will provide a useful platform for the authorities to materialize into concrete reforms the priorities set out in the national development strategy, and we encourage staff to reflect on how to anchor this into the conditionality of future reviews to help formulate the concrete reform agenda.

Third, debt remains a sore point in Cameroon's macro framework. We thank staff for their helpful answers to technical questions in this area. We continue to urge prudence in the managing of public debt. In particular, non-concessional borrowing needs to be used with parsimony and after careful consideration of the economic benefits of the projects selected. Moreover, resolution of SONARA's debt issues and, more generally, proactive management and reparation of contingency planning appear necessary in light of the high level of debt.

Mr. Velloso:

We issued a comprehensive gray statement supporting the proposed decisions. Therefore, I will limit my intervention to a few brief points for emphasis. Despite the good performance under the previous IMF-supported program, particularly on the fiscal front, security challenges and political instability, combined with the socioeconomic impact of the pandemic crisis, have exposed Cameroon's vulnerability. Therefore, we welcome that the new arrangement will help the country achieve fiscal sustainability by improving domestic revenue mobilization and rationalizing public expenditures while giving priority to the health and education sectors and social safety nets.

We take also positive note that the new arrangement will support the continued implementation of the authorities' structural reform agenda to reach robust and inclusive growth over the medium term. Having said that, we acknowledge that non-concessional financing is expected to increase given the need to finance priority projects. In this regard, it will be critical to adopt strong safeguards concerning public investment selection, implementation, and ex post assessment, as well as close monitoring of fiscal risks posed by state-owned enterprises (SOEs), which call for improved transparency and governance, supported by independent auditing. These actions are critical to ensure debt sustainability, particularly as Cameroon's debt is assessed at high-risk of distress.

Finally, we welcome the authorities' commitment to continue strengthening the country's anticorruption framework, as stressed by Mr. Andrianarivelo in his opening remarks. In this connection, we take positive note of their intention to become more aligned with international standards to fight money-laundering and combat the financing of terrorism and to adopt the needed measures to reinforce compliance with EITI principles.

Ms. Lyngaas:

We support the authorities' request for the arrangements under the ECF and EFF and agree with Mr. Buisse that this will be an important program for Cameroon. We have issued a gray statement, so I will focus my comments on a few specific areas.

Many Executive Directors in their gray statements and in their remarks have referenced the need to strengthen transparency in governance in Cameroon, and we agree with these comments. Indeed, it might be known here that the results of an independent audit were leaked to the press, unfortunately, and that the authorities are investigating those allegations. Allegations such as these, we believe, highlight the importance of government transparency and accountability. In that respect, we are pleased that the authorities have now fulfilled their COVID-19-related transparency commitments as prior actions for this new arrangement, and I was also pleased to hear from Mr. Andrianarivelo that the authorities have committed to now publishing the results of this audit.

In this context, I also wanted to note that we think it will be important for the Fund to also be transparent and acknowledge governance challenges in its public communications about this program. Not acknowledging these challenges, which are now in the public domain, could pose a risk for the Fund's reputation in Cameroon, and, moreover, the citizens of Cameroon deserve to have their concerns about the findings of the audit taken seriously.

We very much welcome the program's focus on strengthening governance and reducing corruption, and we note that weak oversight and supervision of SOEs in particular poses high fiscal risks. Although staff assess debt to be sustainable, we caution that Cameroon is at high-risk of debt distress and that the IMF will become one of its largest creditors. We thus encourage the authorities to remain committed to the cap on non-concessional borrowing under this program.

Mr. Sigurgeirsson:

We have issued a joint gray statement with Mr. Dresse approving Cameroon's program request to address protracted balance of payments needs and support the reform agenda, and I very much agree with Mr. Buisse that this will be an important program for Cameroon.

During the first wave of the pandemic, the Fund rightly focused on supporting member states through emergency programs. At that time the general consensus in the room was that the next natural step for countries receiving emergency financing would be to move to upper credit tranche (UCT)-quality programs. The initial commitment to governance safeguards under the RFI/RCF differed from country to country; however, we have always seen the need for a follow-up to ensure evenhandedness. In this context, we welcome the joint effort in preserving ownership of previous safeguard commitments, and we therefore commend the authorities and staff—it is a joint effort—for their decision to set prior action based on the authorities' commitments under the two rounds of RCF programs.

We note that these important prior actions have been met and encourage staff and the authorities to further build on this momentum. At the same time, we are highly concerned with the findings, of what little we have heard, of the audit reports, and expect that if this is, in fact, true, some of these findings and they are supported, that those responsible await judicial proceedings.

It is also very important to show that all efforts are made to ensure that safeguards are immediately put in place to address broad governance vulnerabilities and ensure appropriate use of the funds that we were discussing today, and therefore I welcome the comments made this morning by Mr. Andrianarivelo and staff to this effect.

We expect to hear more on the subject, including the scale of misuse under the next review. In closing I must admit that it would have been very helpful to have this information earlier so that it could have been better incorporated into program design and our decision process.

Finally, I very much agree with Ms. Lyngaas on the need for the IMF to address this matter appropriately in their public communication.

The staff representative from the African Department (Mr. Sy):

I would just like to note that together with the Communication Department, we have been working on a communication strategy. We have met with CSOs, and we intend to deploy the strategy after the Board meeting and in the months going forward.

Mr. Andrianarivelo:

I would like to reiterate my appreciation to Executive Directors, management, and staff for the approval of the ECF-EFF arrangements and for the useful comments and recommendations, which I will faithfully convey to my authorities. Let me also thank the mission chief, Mr. Sy, and his team, for their hard work, outstanding collaboration, and the quality of policy dialogue during the negotiation on the ECF-EFF arrangements. These arrangements provide an appropriate anchor for key policy measures and reforms.

Continued Fund engagement is also instrumental to catalyze other donor support. My authorities once again reiterate their strong commitment to implementing the ECF-EFF supported program and advancing implementation of the government reforms agenda, SDN30. My authorities stand ready to adopt their program to changing economic conditions in consultation with staff.

The Acting Chair (Mr. Furusawa) adjourned the discussion.

ANNEX

- Staff's Statement
- Gray Statements
- Staff Responses to Executive Directors' Technical Questions
- Constituency Codes

BUFF/21/12

July 26, 2021

**Statement by the Staff Representative on Cameroon
Executive Board Meeting
July 29, 2021**

This staff statement does not alter the thrust of the staff appraisal in the staff report but is intended to provide clarification and confirmation on the status of prior actions.

Prior actions have been met. Prior actions on i) submitting to the National Assembly a revised budget bill for 2021 in line with the objectives of the program; ii) publishing a report on the execution of COVID-19-related expenditures during the 2020 budget year; iii) publishing on the ARMP website an overall table of the results of contracts related to COVID-19 and awarded from October 20, 2020 to the end of June 2021, including beneficial ownership of successful bidders; and iv) submitting to the IMF, the Prime Minister, Senate, and National Assembly the audit prepared by the audit bench of the Supreme Court (Chambre des Comptes) of fiscal year 2020 expenses related to COVID-19 were completed.

- A revised budget law for 2021 in line with the objectives of the program has been adopted.
- A report on the execution of COVID-19-related expenditures during the 2020 budget year has been published on the Directorate General of Budget website.¹
- As of July 23, 2021, the authorities have published on the website of the Public Procurement Regulatory Agency (ARMP), lists² of a total of 383 Covid-19 related contracts awarded from October 20, 2020 to end-June 2021, including beneficial ownership of successful bidders. The contracts were awarded by the Ministries of Health, Education, Social Affairs, Agriculture and Rural Development. These lists include the procurements' objects, amounts, beneficiaries and beneficial owners, and status, amounting in total to CFAF 54.1 billion. Based on the authorities' commitment to publish all the procurements' results, including their beneficial owners, ongoing tenders will be published once awarded.
- The audit prepared by the audit bench of the Supreme Court (Chambre des Comptes) of fiscal year 2020 expenses related to COVID-19 has been submitted to the IMF, the Prime Minister, Senate, and National Assembly.

¹ <https://www.dgb.cm/news/consulter-le-rapport-dexecution-sur-le-fond-special-de-solidarite-nationale-pour-la-lutte-contre-le-coronavirus-et-ses-repercussions-economiques-et-sociales/>

² https://armp.cm/Details_COM_DEC.php?P1=COMM&P2=15493#A6
https://armp.cm/Details_COM_DEC.php?P1=COMM&P2=14975#A6
https://www.armp.cm/Details_COM_DEC.php?P1=COMM&P2=15255#A6

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BUFF/ED/21/103

July 26, 2021

**Statement by Mr. Andrianarivelo, Mr. N'Sonde, and Mrs. Raoilisoa Andrianometiana on
Cameroon
Executive Board Meeting 21/80
July 29, 2021**

On behalf of our Cameroonian authorities, we would like to express our appreciation to the Executive Board and Management for their continued support to Cameroon. We also thank staff for the constructive engagement and their tireless efforts to assist the authorities under difficult circumstances.

Amid a very challenging security situation, Cameroon had successfully completed five reviews under the 2017-2020 ECF-supported program. This arrangement expired last year during the Covid-19 pandemic hit without the completion of the sixth and final review due the unprecedented shock. Rising infection cases have led the authorities to put in place strict containment measures, which, combined with a multi-faceted global slowdown in 2020, resulted in an economic fallout. The Fund responded swiftly to Cameroon's request for emergency financing under the Rapid Credit Facility (RCF) to mitigate the impact of the crisis and address the short-term financing gap. The authorities have undertaken the necessary steps to publish on the website of the Public Procurement Regulatory Agency (ARMP) the beneficial ownership of companies receiving Covid-related procurement contract, published an execution report of the Covid-related expenditures, and audited Covid-related spending for the FY 2020. They remain fully committed to fiscal transparency as agreed at the time of the RCF.

Despite the RCF disbursements, fiscal and external financial needs remain sizeable, threatening progress made in macroeconomic stability and social gains in recent years. To strengthen external viability and support the recovery, the Cameroonian authorities are requesting three-year arrangements under the Extended Credit facility (ECF) and the Extended Fund Facility (EFF), covering the period 2021-2024. The program will help address protracted balance of payments needs and support the authorities' reform agenda established under their National Development Strategy (*Stratégie Nationale de Développement*, SND30) for 2020-30 and consistent with the regional reform program, PREF-CEMAC. The authorities' medium-term program will also contribute to CEMAC

regional efforts to boost BEAC's foreign exchange reserves. The frontloaded disbursements will support the immediate financing needs facing the country.

Recent Developments and Outlook

The Covid crisis have impacted severely the Cameroonian economy, with possible setback in development gains and other scarring. GDP growth turned negative in 2020, impacting most acutely non-oil sectors, including trade, transport, and tourism. Fiscal deficit has been contained to 3.6 percent of GDP, thanks to a relatively good performance on revenues, combined with the authorities' proactive approach on the expenditure front amid their response to the pandemic. Public debt has increased somewhat but remains under control. The current account deficit slightly decreased, reflecting stronger-than-expected non-oil exports. The increase in money supply remained strong, mainly driven by a sharp increase in credit to public sector.

Looking ahead, the average annual growth of the oil sector over the period 2022-26 is expected to be close to zero, whereas non-oil sector growth should begin to recover from 2021 and is projected to reach 5 percent in 2023. Growth will be supported by the implementation of SND30, large infrastructure projects notably in the energy sector, and a recovery in trading partner economies. The recovery will also depend on adequate access to, and distribution of, vaccines. In this respect, the authorities have adopted a national vaccine readiness and deployment plan and envision to strengthen communication towards community support for vaccination. Under the 2021 revised budget, in addition to other pandemic-related spending, an amount equivalent to 0.3 percent of GDP has been dedicated for vaccination costs.

Policies and Reforms for the Period Ahead

The Cameroonian authorities recognize the significant economic and development challenges facing the country amid uncertainty about the pandemic and the world economic prospects. They are fully committed to the program objectives. This entails building fiscal buffers, safeguarding debt sustainability, enhancing governance, and advancing structural reforms to achieve strong and sustainable growth, while protecting the most vulnerable. In implementing their policies and reforms, the authorities remain mindful of the elevated risks to the outlook stemming notably from the evolution of the pandemic, oil price developments and the level and volatility of other commodity prices. In this regard, they are ready to consider contingent measures, in consultation with Fund staff, as needed.

The authorities continue to count on Fund technical assistance to advance reforms, notably on revenue mobilization, public financial management, and debt management. The program also continues to be supported by the implementation of policies and reforms by CEMAC regional institutions.

Fiscal Policy and Reforms

Fiscal policy will continue to address the impact of the pandemic and support the economic recovery while preserving debt sustainability. Over the medium-term, they are committed to pursuing gradual fiscal consolidation while protecting priority social spending. Their goal is to achieve the regional convergence criterion by reaching an overall budget deficit of 1.6 percent of GDP by 2024. In this regard, government's efforts will focus not only on stepping up non-oil revenue mobilization, but also rationalizing public expenditure and improving its efficiency.

On revenue mobilization, the authorities will continue to strengthen revenue collection by combating tax fraud and evasion, enhancing tax and customs administrations and policies, as well as ensuring the integrity of taxpayer files and IT systems. The authorities intend to conduct a diagnostic study of the fiscal policy, which should inform on short to medium-term measures, with support from Fund technical assistance. Further actions include the intensification of the collection of tax and customs arrears from state-owned enterprises (SOEs) and enhanced control over companies presenting the risk of under-reporting their declarations. Moreover, the authorities will step up efforts to broaden the tax base, notably in the transport sector, despite the weight of the informal sector in the economy, and the low contribution of personal income tax. They will also take steps to streamline tax expenditure. Regarding non-tax revenues, the government will intensify the campaign on the enforcement of state revenue.

Consistent with the authorities' public finance reform program, the government intends to pursue actions aimed at improving the quality of public spending, enhancing cash management, and operationalizing the Treasury single account (TSA) in conjunction with the regional central bank (BEAC). To bolster spending efficiency, our authorities are firmly committed to the digitalization of budgetary procedures and will limit the use of exceptional procedures. In parallel, transfers and subsidies to SOEs will be firmly controlled and reform of the civil service payroll will be pursued. In addition to publishing a quarterly report on budget execution, the authorities will effectively implement the Code of Transparency and Good Governance as well as the financial regime of the state and other public entities, in accordance with CEMAC guidelines. Furthermore, they will redouble effort to reinforce the efficiency of public investment. In this respect, the government will continue to improve investment project selection, planning, and execution.

Debt Policy and Management of Contingent Liabilities

The authorities are determined to strengthen debt sustainability and agree on the need to prevent any further risk of debt distress. In this vein, they reiterate their commitment to a prudent borrowing strategy and will strictly limit the signing of non-concessional loans to priority projects for which concessional resources are unavailable, while adhering to the program debt limits. To this end, our authorities will strengthen the debt management

framework and conduct an active debt management policy in order to bring the country back to a moderate risk classification of debt distress.

The medium-term debt strategy for 2021-23 will also be geared toward preserving debt sustainability. Besides proceeding with the disbursements for the stock of committed but undisbursed loans (SENDs), the government intends to strengthen the management and governance of SOEs to improve public service delivery and limit fiscal risks. In this regard, our authorities will redouble their efforts to strengthen and accelerate SONARA's debt restructuring. In addition, the government will carry out an audit of highly indebted SOEs and assess their financial viability, based on diagnostic studies underway, notably for CAMTEL, CAMWATER, and the Douala Autonomous Port.

Regional Monetary Policy and Financial Sector Stability

In line with efforts made at the regional level, the authorities are committed to preserve the stability of the monetary arrangement which requires rebuilding BEAC reserves. To this end, the government will ensure that extractive industries comply with the provisions of foreign exchange regulations before signing new contracts. They will also take measures to ensure that the new petroleum code is fully compliant with CEMAC's foreign exchange regulations. Moreover, the authorities will pursue reforms aimed at strengthening the stability of the financial sector and will step up measures aiming at reducing the level of non-performing loans, in support to the mandate of the regional banking commission (COBAC).

Bolstering Structural Reforms

As part of SND30, the government is dedicated to stepping up structural reforms aimed at reducing poverty and inequalities, and laying the foundations for robust, sustained, and inclusive growth. In this vein, the authorities are strongly committed to promoting good governance, strengthening transparency, and tackling corruption. They intend to improve the anti-corruption legal and institutional frameworks as well as enhance their strategy for combating corruption through both preventive and repressive actions. Furthermore, the government will undertake measures to enforce asset declaration obligation for public officials and strengthen the autonomy of the specialized anti-corruption agency CONAC. In addition, the authorities will ameliorate the business climate by strengthening compliance with the EITI principles and AML/CFT standards and will accelerate the implementation of reforms to sustain private sector development and economic diversification.

Conclusion

Our Cameroonian authorities reiterate their commitment to the program objectives to strengthen macroeconomic stability, firm up inclusive growth and contribute to enhancing CEMAC's external stability and economic prospects. The authorities highly value the strong relationship with the Fund and look forward to Executive Directors' support to their requests

for ECF and EFF arrangements to support their efforts, cover part of their financing gap and catalyze additional resources.

DOCUMENT OF INTERNATIONAL MONETARY FUND AND FOR OFFICIAL USE ONLY

The contents of this document are preliminary and subject to change.

GRAY/21/2233

July 27, 2021

Statement by Mr. Massourakis and Mr. Spadafora on Cameroon
(Preliminary)
Executive Board Meeting 21/80
July 29, 2021

*We thank staff for an informative report and Mr. Andrianarivelo, Mr. N'Sonde, and Mrs. Raoilisoa Andrianometiana for their candid Buff statement. **We support the authorities' request for financing under new 3-year ECF/EFF arrangements** to help address the impact of the Covid pandemic and implement the ambitious and much-needed reform strategy laid out in the National Development Strategy for 2020-30 and the PREF-CEMAC. We welcome the ambitious 5-pillar structure of the Fund-supported program, notably it focus on macrocritical structural fiscal measures in such key areas as domestic revenue mobilization, public financial management and reduction of fiscal risks from SOEs; we call on the authorities to timely and effectively implement these measures in line with the program's commitments, which would be instrumental in unlocking further donor support. Given Cameroon's high risk of debt distress, the limit on non-concessional external borrowing – which had instead been set to zero in the previous RCFs – must be closely enforced and used up only for well-identified high priority projects.*

- **We commend the authorities for their proactive response to the Covid pandemic**, which helped contain the fiscal deficit in 2020 amid a lower-than-expected GDP contraction in 2020, underpinned by resilience in the oil production, agriculture, and construction sectors. We agree with staff that mitigating the impact of the pandemic remains the short-term priority. We regret that the execution rate of social spending remains low and progress in setting direct cash transfers is slow; we thus look forward to the adoption of a new mechanism, developed with World Bank assistance, to more effectively target and deliver transfers to the most vulnerable population segments hit by the pandemic.
- **We share the program's goal of avoiding a premature tightening of fiscal policy** – which could hold back the recovery and prolong the crisis – and support the authorities' objective, once the crisis abates, to gradually return to the fiscal consolidation path consistent with program objectives and CEMAC's convergence criterion. Fiscal consolidation is needed to safeguard debt sustainability and ensure a strong and inclusive recovery in line with Cameroon's medium-term reform agenda. We thus welcome the program's focus on improving revenue mobilization, reducing tax expenditures and

containing current spending. We note that the reduction in the non-oil primary balance – the program’s fiscal anchor – depends on a gradual but significant increase in non-oil revenues, by about 2.5-3 percent of GDP over 2021-24 (structural benchmark). However, a Medium-Term Revenue Strategy is not in place yet (Paragraph 21, third bullet). *Staff’s comments are welcome.*

- **Cameroon is at high risk of debt distress**, yet debt is assessed to be sustainable in the face of lower levels of debt and debt service than those sustained in the recent past, and the authorities’ good track record in implementing the previous programs’ commitments. We note that the program envisages an adjustor for new non-concessional external borrowing, while the previous RCFs included a commitment to a zero limit on such borrowing. The non-zero limit on new non-concessional external borrowing departs from previous staff’s advice, largely because the DSA concluded that debt sustainability was conditional on “*avoidance of additional non-concessional borrowing*”¹: while we can go along with this change, it is imperative that the non-concessional external borrowing be used to finance well-identified macro-critical, high priority projects. However, we understand that a higher non-concessional borrowing ceiling may also be used to buy back the 2015 Eurobond (MEFP ¶18). *Staff’s comments are welcome. Furthermore, we ask staff to explain how the use of non-concessional external borrowing will be monitored.*

¹ EBS/20/82 Supplement 1 - April 28, 2020.

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GRAY/21/2234

July 27, 2021

**Statement by Mr. Odonye and Ms. Maidi on Cameroon
(Preliminary)
Executive Board Meeting 21/80
July 29, 2021**

We thank staff for a well-written report and Mr. Andrianarivelo, Mr. N'Sonde and Mrs. Raoilisoa Andrianometiana for their helpful Buff statement.

The COVID-19 pandemic severely impacted Cameroon, contracting the economy. Growth is expected to further contract in 2021, derailing notable progress made under the 2017–2022 Extended Credit Facility (ECF) program. Strong headwinds emanating from the large financing gap and debt vulnerabilities have made the outlook highly uncertain. In this regard, we support the authorities' request for three-year arrangements under the Extended Credit facility (ECF) and the Extended Fund Facility (EFF) to strengthen external viability and boost the recovery. The request in a combined SDR 483 million is expected to support post-pandemic recovery and the economic reform measures outlined in the home-grown National Development Strategy (SND30) to ensure diversified and inclusive growth. We count on Cameroon's adequate capacity to repay the Fund and reputation for strong program ownership and policies to tackle its risk of debt distress.

Adherence to sound macroeconomic policies would ensure gradual fiscal consolidation, reduce public debt, promote public investment and social protection toward more inclusive growth under the revised 2021 Budget Law (RBL 2021). The medium-term program will further enable the authorities contribute meaningfully to CEMAC regional efforts to boost BEAC's foreign exchange reserves. To this end, we welcome the domestic revenue mobilization measures, including streamlining tax exemptions, recovering tax arrears, and improving tax administration. Additional measures to improve the quality of spending, including containing the wage bill, would be instrumental in the consolidation path. The authorities' efforts to enhance PFM, including the development of the medium-term budget framework would help.

Safeguarding debt sustainability and management is essential to support strong and inclusive recovery envisioned under the medium-term reform agenda. Given the high risk of debt distress, the authorities' commitment to limit non-concessional borrowing and the development of the medium-term debt strategy (MTDS) are important steps. We urge staff

to work with the authorities to address prior challenges and ensure the effectiveness of the current MTDS. Going forward, perseverance in strengthening oversight of SOEs and governance, including by managing contingent liabilities, remains crucial to reduce the financial and fiscal risks. We are also concerned about the pace of adjustment in SONARA and urge to redouble efforts to achieve a timely restructuring plan. We welcome steps to restore debt sustainability, including the finalization of new price structure, and expect that the newly commissioned engineering study would complement the overall restructuring goals. *Could staff comment on the timeline and estimated fiscal costs for the delay and implications for debt management?*

Preserving domestic financial sector stability would be essential for financial inclusion, inclusive growth, and regional financial stability. We welcome the authorities' efforts to enforce the new foreign exchange regulations and contribute to rebuilding reserves. Close monitoring of possible vulnerabilities arising from the elevated credit risks and NPLs would be crucial, to safeguard financial stability. To this end, we urge the authorities to pay attention to banks capital adequacy ratios, supervision of the insolvent and broader sovereign-banks' exposure. We welcome the authorities' efforts to spur mobile money, promote SMEs and enhance financial literacy to strengthen financial inclusion.

Finally, addressing structural challenges and strengthening governance will promote competitiveness and private sector participation. In this regard, we welcome the authorities' commitment to enhance cross-border trading, protect property rights, and ensure contract enforcement alongside simplified tax system through digitalization and operationalization of the one-stop shop. We positively note further commitment to tackle inequality and facilitate female entrepreneurship to enhance gender equity. We support efforts to promote resilience and sustainability through the authorities' climate change adaptation and mitigation measures. We look forward to progress of the proposed program design and conditionality, including the need to frontload support, reinforce good governance, transparency, anti-corruption fight, improve AML/CFT framework and implement EITI corrective measures as well as the planned semi-annual reviews.

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GRAY/21/2235

July 27, 2021

**Statement by Mr. Bevilaqua, Mr. Velloso, and Ms. Cruz on Cameroon
(Preliminary)
Executive Board Meeting 21/80
July 29, 2021**

We thank staff for the report and Mr. Andrianarivelo, Mr. N'Sonde, and Ms. Raoilisoa Andrianometiana for their helpful statement.

We support the request for three-year arrangements under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF). The program will help cover the country's BOP needs while facilitating the vaccination rollout and post-COVID recovery. In the medium-term, it will support the strengthening of external and fiscal sustainability and the implementation of the government's economic reform agenda outlined in the 2020-2030 National Development Strategy, in addition to helping catalyze concessional financing and grants from other development partners.

We take positive note of progress under the previous ECF arrangement, particularly on the fiscal front. However, as the pandemic abates, additional efforts will be essential to help ensure a sustainable fiscal and debt trajectory. Despite the good performance under the 2017-2020 ECF arrangement in boosting domestic revenues and improving the efficiency of public investment and budgetary procedures, the global pandemic has understandably affected some gains that were achieved. Also, security challenges and political instability combined with the socio-economic impact of the pandemic crisis have exposed Cameroon's vulnerabilities. In this context of multiple challenges, we congratulate the authorities' firm commitment to fiscal consolidation in the period ahead, focusing on the reduction of the budget deficit in line with the regional convergence criterion, by improving non-oil revenue mobilization and rationalizing public expenditures through the prioritization of the health and education sectors and protecting the most vulnerable.

Improving fiscal and debt risk management remains critical. As non-concessional financing is expected to increase due to the financing of large priority projects, additional safeguards should be considered regarding public investment selection, monitoring, and evaluation. Furthermore, we recommend close monitoring of fiscal risks posed by SOEs, which call for improved transparency and governance supported by independent auditing.

These actions are critical to ensure debt sustainability, particularly as Cameroon's debt is assessed at high risk of distress.

Risks stemming from rising NPLs and banks' sovereign exposure need to be carefully monitored and mitigated. We take positive note that liquidity ratios in the banking system appear adequate. However, as pointed out by staff, rising NPL and banks' sovereign exposure are a source of concern. *Staff's comments on the ongoing and planned risk mitigation measures in this area are welcome.*

Achieving robust and inclusive growth over the medium term will hinge on the continuing implementation of the authorities' structural reform agenda. Despite the downside risks to the outlook, the implementation of structural reforms bodes well for growth reaching, or even exceeding, 4 percent a year on average in 2021-2024. In this regard, we welcome the authorities' steadfast implementation of their structural reform agenda and their commitment to pursuing economic diversification and promoting competitiveness by improving the business environment.

Finally, we welcome the authorities' commitment to continue strengthening the country's anti-corruption framework. In this regard, we highlight the government's engagement to become aligned with the international standards to fight money laundering and financing of terrorism (AML/CFT) and to adopt the needed measures to reinforce compliance with the Extractive Industries Transparency Initiative (EITI) principles.

With these remarks we wish the Cameroonian authorities success in their future endeavors.

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GRAY/21/2237

July 27, 2021

**Statement by Mr. Merk and Ms. Engelmann on Cameroon
(Preliminary)
Executive Board Meeting 21/80
July 29, 2021**

We thank staff for the insightful report and Mr. Andrianarivelo, Mr. N'Sonde, and Mrs. Raoilisoa for the helpful Buff statement.

We are ready to support the requests for three-year arrangements under the ECF and EFF. Sustained reform momentum and prudent policies will be needed to strengthen resilience over the course of the program. Cameroon faces high risks to debt sustainability (compounded by a large share of external debt) and the need to address financial and fiscal risks associated with SOEs. The envisaged program conditionality thus rightly focuses on fiscal consolidation by improving tax administration, increasing revenues, enhancing governance and strengthening institutions. The requested arrangement can provide a welcome anchor to accompany the National Development Strategy for 2020-30 and to strengthen the credibility of fiscal policies thereby contributing to macroeconomic stability. At the same time, however, we would like to reiterate that a program cannot substitute for strong policy ownership. The authorities need to prove the latter by steadfast program implementation and unwavering support of the broader objectives of the program going forward.

We take note that risks associated with the proposed frontloaded phasing are somewhat mitigated by program design and donor support. Staff rightly states that the Fund's catalytic role is key in securing external financing. We therefore recognize that the share of the financing gap to be covered by the Fund is projected to remain below 40%. In addition, it is well taken that staff has already discussed contingency plans with the authorities. Nonetheless, as pointed out by staff, total obligations to the Fund as a share of quota, GDP, revenues, reserves, and exports rise steeply and remain well above the median values for past PRGT arrangements for an extended period. Given that Cameroon's capacity to repay the Fund directly affects the capacity to repay the Fund also of other CEMAC countries through its share of BEAC reserves, it is essential that the authorities implement critical policy assurances in a timely manner.

Regarding staff's assessment of capacity to repay in this report, we take positive note of Figure 3 which offers an insightful comparison of Fund credit indicators. In our view, a stringent, transparent and even-handed assessment of risks to capacity to repay deserves adequate attention in program requests and this figure is a step in the right direction. We would encourage staff to use this tool in future requests as well to increase transparency and even-handedness. On a more technical note, it seems as if the interquartile range was intended to be shown as well but is not visible in the figure.

In view of persistently high fiscal deficits, additional progress on structural reforms to enhance performance on both the revenue and expenditure sides of the budget remains key. Redoubling efforts aimed at enhancing non-oil revenue mobilization, including enhanced tax compliance and reducing inefficient and inequitable tax exemptions, can support the adequacy of the state's financial endowment. Staff mentions that new tax policy reforms are not envisaged in the 2021 Revised Budget Law. We appreciate that the authorities seek technical assistance support in this context. *At the same time, we would welcome staff comments on why such measures were not already included in the Revised Budget Law.* Concerning the expenditure side, consolidation efforts geared towards curbing recurrent expenditures should be stepped up to leave room for manoeuvre to accommodate for priority development and social spending. We take note with concern that nearly 46 percent of VAT tax spending benefits mainly the wealthiest households against only 5.8 percent benefitting the poorest households. We therefore join staff in urging the authorities to phase out the least effective measures.

Even though Cameroon's overall debt profile has improved compared to the previous DSA, the risk of overall debt distress remains high. We take note with concern that three out of four external debt indicators breach their thresholds under the baseline scenario. An increase of public debt from 33.3 percent of GDP in 2016 to 42.7 percent in 2019 is worrying. Given that collecting public debt data on the local and SOE levels constitutes a challenge, this number is likely subject to upward revisions. While we welcome that non-concessional external borrowing is limited to the projects listed in the TMU, this appears to be quite a wide-ranging list. We therefore encourage the authorities to seek alternative concessional financing for these projects where possible. Moreover, we would like to note that interest rate risk should not be underestimated, given that around 26 percent of external debt has a flexible interest rate.

We join staff in urging the authorities to restructure SONARA swiftly, based on a thorough cost-benefit analysis of all available options. This will decrease the risk of contingent liabilities and would provide an opportunity to reform the entire SOE sector, also with regard to supervision and corporate governance. The low profitability and high indebtedness of Cameroon's SOE sector poses budgetary risks. There is therefore an urgent need for action with regard to the lack of transparency and the fiscal risks. In addition, we note that the banking sector's exposure to SONARA is substantial, threatening its capital base.

Structural reforms should continue to focus on improving governance and removing obstacles to private investment. The fight against corruption, AML/CFT and, in general, strengthening legal

certainty is crucial to encourage private investment. For this purpose, the autonomy of the specialized anti-corruption agency needs to be strengthened in due course. Furthermore, we urge the authorities to oversee the implementation of the necessary provisions for public officials to declare their assets. In a similar vein, we welcome the authorities' intent to respect their RCF commitments to publish the contracts related to COVID-19, issue a spending report and publish the audit report. Staff mentions that the authorities aim to publish the results of contracts related to COVID-19 dating from October 20, 2020 onwards. *Could staff elaborate on why contracts before October 2020 appear not to be published, given that the first RCF was disbursed in May 2020?*

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GRAY/21/2240

July 27, 2021

**Statement by Mr. Chodos, Mr. Lischinsky, and Ms. Bustillo on Cameroon
(Preliminary)
Executive Board Meeting 21/80
July 29, 2021**

We thank staff for the concise report and Mr. Andrianarivelo, Mr. N'Sonde, and Mrs. Raoilisoa Andrianometiana for their insightful Buff statement.

We support the authorities' request for assistance under a three-year arrangement under the Extended Credit Facility (ECF) and a three-year arrangement under the Extended Fund Facility (EFF). Building on the previous ECF, the new arrangements will help efforts to sustain the post-crisis recovery and boost the implementation of reforms while strengthening debt sustainability. Hence, we support the proposed Decisions. We commend the authorities for meeting the prior actions so that frontloaded purchases may be made under the arrangements once the Decisions have been approved. These arrangements could also help catalyze further financing by other international financial institutions and donors. Cameroon has been strongly impacted by the COVID-19 pandemic, the persistence of security concerns, and the country is currently facing a second wave of infections. The outlook remains highly uncertain and dependent on the evolution of the pandemic, the security environment, and policy implementation. The arrangements and donors' support would help reduce the highly uncertain outlook.

It is critical to avoid a premature tightening and ensure protection for the most vulnerable. We concur with the authorities that mitigating the health and social impact of the pandemic should remain a priority. Going forward, we take note of the authorities' intent to gradually adjust the fiscal deficit to attain the regional convergence criterion by 2024 and advanced measures to improve budgetary revenue mobilization and rationalize public spending without affecting the growth path. Also, given the importance of strengthening debt management to ensure debt sustainability, we welcome the authorities' commitment to rely on concessional resources, including capping non-concessional borrowing. Additionally, continuing with efforts to restructure SONARA's bank debt is critical to ensure its fiscal sustainability. The plan to assess the financial viability of state-owned enterprises is also key to preserve debt sustainability and continue bringing public goods to the population.

The authorities' structural reforms oriented to reducing poverty and inequalities, and strong, sustained, green and inclusive growth are encouraging. As noted in the Letter of Intent, the authorities are also advancing reforms to accelerate productivity, the development of the private sector, and adaptation and mitigation of the effects of climate change. In particular, we strongly

encourage the authorities to continue with their efforts to promote gender equality, including gender budgeting. We are also comforted by the authorities' commitment to strengthen good governance and transparency, including ensuring the effective use of public resources, as highlighted in the Buff statement.

Finally, we concur on program modalities. We note that the program proposes front-loaded disbursements to address the impact of the pandemic on external accounts, the cost of vaccines, and overall pandemic-related spending. *In this regard, we would welcome information on the scale of funds estimated for pandemic-related spending in 2021-2022 in addition to the 0.3 percent of GDP dedicated to vaccination costs.* Also, we underscore the importance of the ongoing Capacity Development and welcome the support to be provided to the authorities' economic reform priorities, including on revenue mobilization, public financial management, and debt management. Lastly, we want to emphasize that in addition to creating equal opportunities and access to them, growth and development are the result of concrete active public policies.

With these comments, we wish the authorities and people of Cameroon all the best in their future endeavors.

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GRAY/21/2245

July 27, 2021

Statement by Mr. Moreno and Mr. Lopez on Cameroon
(Preliminary)
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July 29, 2021

We thank staff for the comprehensive reports and Mr. Andrianarivelo, Mr. N'Sonde, and Mrs. Raoilisoa Andrianometiana for their helpful Buff statement. The severity of the crisis impeded the complexion of the last review of the 2017-2020 ECF arrangement, as well as exacerbated many structural challenges. Therefore, **we support the authorities' request for three-year arrangements under the Extended Credit Facility and the Extended Fund Facility.**

We welcome the program's five pillar strategy to promote a more resilient and inclusive economy, to increase economic diversification and to enhance public governance. To this end, many structural challenges should be addressed, especially in the areas of institutional development, public financing management, revenue mobilization, or public governance. We are reassured by the fact that these objectives are closely aligned with the National Development Strategy and the regional CEMAC agenda. We note that the main pillars of the 2017 ECF are also present in the current request for new financing. In this regard, we appreciate staff's overview of Cameroon's past performance under that agreement in Annex II. An assessment of the implementation and efficacy of previous measures is also critical to strengthen the program design and to advance in areas where reform delays are more prominent. *Could staff comment on key past reforms that still need to be enforced or adequately implemented?*

The authorities' strong commitment to address multiple fiscal challenges is essential for the program's success. We commend the authorities for their efforts to mitigate the economic impact of the pandemic. Although public support is still needed, fiscal policy should gradually return to a consolidation path once the crisis abates to rebuild fiscal and external buffers. During that process, the development of a medium-term budget framework will be essential to strengthen budget design and execution, including a strict control and prioritization of public spending oriented to preserve a sustainable and inclusive growth.

Furthermore, a profound overhaul of the tax system and the public finances more broadly are crucial to ensure fiscal sustainability. The program should continue delivering on multiple fronts to broaden the non-oil revenue base, to reduce tax exemptions, to combat tax fraud and evasion and to improve tax and custom administration. Many of these areas of reform are long-standing priorities where past progress has been limited. We urge the authorities to take decisive actions to tackle these structural challenges under the new program.

Implementing a comprehensive strategy to reduce financial and fiscal risks related to SOEs is also paramount to underpin fiscal sustainability. The SOEs sector constitutes a significant contingent-liability risk to the public sector, and poses financial stability concerns due to their high indebtedness with the banking system. The authorities should tackle the multiple management inefficiencies and lack of transparency in SOEs. Again, this is a long-standing request, and more efforts are needed to close data gaps and enhance the governance of these companies. It is essential to complete the implementation of the debt restructuring of SONARA, and to enhance the financial viability of all SOEs, including the elaboration of regular external audits to mitigate contingent risks, along with the clearance of government arrears.

Securing concessional financing and limiting non-concessional borrowing is critical to safeguard debt sustainability. According to the DSA, although Cameroon's public debt remains sustainable, the country remains at a high risk of public debt distress and its public debt-to-GDP ratio is projected to further increase in 2021, while risks associated with contingent liabilities remain significant. Therefore, we welcome the authorities' commitment to a prudent borrowing strategy with concessional financing at its center. We agree with staff that non-concessional loans should be limited to key priority projects contained in the authorities' development plan, while adhering to the program debt ceiling. Going forward, it will also be important to anchor debt policies with a prudent medium-term debt management framework.

Enhancing public governance and transparency are also essential for an effective implementation of the broad structural reform agenda. According to the World Bank, Cameroon's development, and its ability to attract investment are hindered by weak governance, corruption, and a weak climate environment. Impediments for private sector activity are multiple. The authorities should tackle significant deficiencies in the judiciary and ensure the complete protection of property rights and contract enforcement. Finally, we agree with staff that more efforts are needed to strengthen financial inclusion. *Can staff comment on the reasons for the relatively low level of access to financial services in Cameroon?* We also want to highlight the importance of policies to address climate-related priority challenges and welcome the authorities' proposals to facilitate adaptation, especially in the agricultural sector.

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GRAY/21/2246

July 27, 2021

**Statement by Mr. Bhalla and Mr. Goyal on Cameroon
(Preliminary)
Executive Board Meeting 21/80
July 29, 2021**

1. We thank Staff for the Report on Cameroon and Mr. Andrianarivelo, Mr. N'Sonde, and Mrs. Raoilisoa Andrianometiana for the Buff Statement. Cameroon has requested a three-year arrangement under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) to help maintain external sustainability. Earlier, Cameroon had approached IMF twice during 2020 to avail financial assistance under the Rapid Credit facility.
2. Cameroon's last arrangement under ECF was allowed to lapse without completing the sixth and the final review in September 2020. However, we take a positive note of authorities' intentions to go for a successor program and their commitment to medium-term reform agenda to support inclusive growth and address debt sustainability risks. Authorities have met the prior actions proposed by the Staff. Notably, Cameroon would be receiving fresh SDR allocation next month, and it has not deterred the authorities from undertaking required macroeconomic adjustments and reforms. Further, considering the assessment that Cameroon's repaying capacity is adequate, we align with the Staff and support authorities' request for a three-year arrangement under ECF and EFF.
3. We observe that Cameroon is at a high risk of debt distress. Cameroon breaches the thresholds under the baseline scenario in three out of four external debt indicators. To mitigate the risks, Staff has proposed limited access to non-concessional borrowings. Cameroon would be permitted to avail non-concessional borrowings up to CFAF 300 billion, whereas concessional borrowings would also be about at the same level - CFAF 350 billion. We welcome information about the mix of concessional and non-concessional borrowings in the previous ECF arrangement.
4. As a part of policy steps to accelerate private sector-led economic diversification, authorities are proposing to reduce the minimum paid-up capital for companies from 100 thousand CFAF to just 5 thousand CFAF. While reduction in minimum capital requirement may facilitate private sector participation, it may not be prudent to considering viability of the firms.

5. We note with concern that the NPL ratio has risen sharply to 16 percent in 2020 (12.8 percent in 2019) despite regulatory relaxation in the wake of the pandemic. As noted in the report, during 2020, the share of credit to private firms has declined by 4.6 percent, and the share of public entities has risen by 5 percent. Going forward, with the withdrawal of regulatory support, NPL may rise sharply and restructuring of these firms may add large stress to the public finances.
6. One of the key features of the proposed arrangement is to leverage Fund's catalytic role. We note that Fund has already disbursed twice during 2020, and the current arrangement is envisaging front-loading – more than 40 percent of total disbursement within the first six months period. Can Staff comment on the sequencing of the financial support from other lenders and donors?
7. As per the proposed financing schedule, Cameroon's combined GRA and PRGT exposure will peak at 403.5 percent of the quota in June 2024. A comparison presented in the report shows that Cameroon's total credit outstanding and debt service indicators are expected to stay significantly above the median level observed in the case of PRGT UCT quality arrangements for an elongated period. In this context, Staff may elaborate on its assessment that Cameroon's capacity to repay remains adequate.
8. We wish authorities all the best in their future endeavors.

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GRAY/21/2248

July 27, 2021

**Statement by Ms. Senich and Ms. Lyngaas on Cameroon
(Preliminary)
Executive Board Meeting 21/80
July 29, 2021**

We thank staff for the well-written report and Mr. Adrianarivelo, Mr. N'Sonde, and Mrs. Raoilisoa for their helpful Buff statement. Cameroon faces significant development challenges that have increased during the pandemic. **We support the authorities' request for a new 175 percent of quota arrangement under the Extended Fund Facility (EFF) and Extended Credit Facility (ECF) to address Cameroon's protracted balance of payments needs and support the reform agenda.**

We welcome the program's focus on strengthening governance and reducing corruption but note that additional downside risks remain. We commend the authorities for fulfilling all prior actions, including publishing the results of contracts related to COVID-19 expenditures and submitting to the IMF and executive and legislative bodies the audit prepared by the *Chambre des Comptes* (CDC). Nonetheless, risks from governance remain high, and the weak oversight and supervision of state-owned enterprises (SOEs) will continue to pose challenges to macroeconomic stability. We thus welcome a more targeted discussion of Cameroon's institutional governance and anti-corruption frameworks, as suggested in paragraph 18 of the report. This discussion should result in clear and actionable recommendations that could be structural benchmarks in subsequent reviews. Such recommendations could include following up on the findings of the CDC audit, with technical assistance to the Audit Branch as needed, and increasing transparency about findings from the audit. We further urge staff to highlight the importance of institutional governance and acknowledge governance challenges in the IMF's public communications on this program.

We welcome the proposed program's emphasis on social spending to mitigate the social consequences of the pandemic. The authorities did not meet the floor on social spending in the fifth review of their 2017-20 ECF-supported program, and the execution rate of social spending remains low. We thus welcome the proposed higher floor on social spending under this arrangement but note that it will require significantly improved revenue performance. We encourage the authorities to work with the World Bank to develop a targeted transfer mechanism to directly benefit the poor and to complete the Treasury Single Account reform.

We would also welcome the inclusion of monthly or quarterly budget execution reports as a structural benchmark in subsequent program reviews and further urge the authorities to publish them. *We would welcome an update from staff on their discussions with the authorities on potential uses for Cameroon's SDR allocation, including bolstering CEMAC's reserves and strengthening their COVID-19 response plan.*

Staff assess debt to be sustainable and capacity to repay adequate, but we caution that Cameroon is at high risk of debt distress and the IMF will become one of its largest creditors. We welcome the authorities' commitment to safeguard debt sustainability by capping non-concessional borrowing for 2021 at CFAF 300 billion. The IMF program is quite front-loaded, and debt service to the IMF will peak at 23 percent of Cameroon's total debt service by 2027. We greatly appreciate the decomposition of Cameroon's public debt in the report as stipulated in the Debt Limits Policy Guidance Note. *We would welcome further clarification from staff on whether non-Paris Club bilateral creditors have provided debt relief to Cameroon under the Debt Service Suspension Initiative in 2020-21.*

We note that progress in implementing structural reforms, including improving the business climate, has been slow in Cameroon. We welcome the authorities' commitments to strengthen the framework for public-private sector dialogue, improve property registration, reduce the minimum paid-up capital for limited liability companies, increase digitalization, and revise the 2013 law on investment incentives. However, staff note that progress on other investment climate reforms has been slow. We would like for future staff reports to cover structural reforms such as implementing modern procedures and regimes of customs incentives, as outlined in the authorities' Memorandum of Economic and Financial Policies.

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GRAY/21/2249

July 27, 2021

**Statement by Mr. Azal and Mr. Dogan on Cameroon
(Preliminary)
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July 29, 2021**

We thank staff for the comprehensive set of reports, and Mr. Andrianarivelo, Mr. N'Sonde, and Mrs. Raoilisoa Andrianometiana for their informative Buff statement. The COVID-19 shock continues to negatively impact Cameroon and the outlook is subject to substantial downside risks. The Rapid Credit Facility- and Extended Credit Facility- (ECF) supported programs have partially alleviated short- and medium-term financing needs in 2020. However, an uneven post-pandemic recovery and Cameroon's wide financing gap calls for successor program arrangements to anchor the authorities' reform efforts, preserve fiscal sustainability, and ensure lasting growth. Therefore, **we support the authorities' request for three-year arrangements under the ECF and the Extended Fund Facility.**

We welcome the focus of program design and the authorities' strong ownership articulated in their letter of intent. We positively note that the authorities have already met the prior actions, including the publication of information on pandemic mitigation spending and procurement contracts. We agree with staff on the need for frontloaded disbursements to address near-term financing needs and rebuild international reserve buffers, as well as to support the Fund's catalytic role in donor mobilization.

The authorities' approach towards a gradual fiscal consolidation is welcome, but as pandemic fades away, additional efforts, including improving revenue mobilization supported by modernizing revenue administration and strengthening the tax policy strategy, are essential to ensure fiscal sustainability. To this end, generating *non-oil revenues of 2.6 percentage points of GDP by 2024 seems encouraging. Could staff elaborate more on the breakdown of these additional revenues?* The authorities' efforts to develop the digitalization of revenue collection is commendable. We encourage the efforts to improve expenditure management, including better wage bill management and well-prioritized investment projects. We concur with staff that budget transparency needs to be enhanced, notably in terms of spending channels, execution monitoring, and reporting.

Addressing the weaknesses of state-owned enterprises (SOEs) and strengthening debt management should be accelerated. Fiscal risks stemming from SOEs could complicate

fiscal projections, posing additional risks to the program's baseline scenario. We encourage the authorities to complete the planned SOE audits and move ahead with the implementation of the SOE reform to mitigate contingent risks and alleviate their fiscal burden on the budget. We agree that the ongoing restructuring of SONARA debt needs to be completed without delay. Staff underscored that although public debt remains sustainable, the risk of debt distress is high. Therefore, improving debt management is instrumental in increasing resilience to potential shocks and easing pressures on the debt servicing capacity.

The banking system needs to be closely monitored owing to increased concentration risks. We note that recent credit growth was largely due to public sector borrowing, seemingly crowding out the private sector. The non-performing loan rates continue to rise from already elevated levels, and banks' high concentration risks require additional measures (i.e. risk-based prudential regulations) to strengthen banks' resilience and mitigate systemic financial risks. *With credit risks arising, we wonder about the factors behind the broadly stable banks' profitability.*

We welcome the program's emphasis on improving transparency and governance safeguards, and reducing corruption with focused conditionality. Most of the policy recommendations are ambitious, and should be implemented in a timely and mutually reinforcing manner in order to generate tangible benefits and contribute to economic growth over the program period. Developing the business environment to attract much-needed private investment and boost sustainable, inclusive growth is crucial. In this regard, we call on the authorities to accelerate their efforts to improve the anti-corruption legal and institutional frameworks, as well as to strengthen AML/CFT policies.

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GRAY/21/2250

July 27, 2021

**Joint Statement by Mr. Dresse, Mr. Sigurgeirsson, Mr. Bernatavicius, and Ms. Eijking
on Cameroon
(Preliminary)
Executive Board Meeting 21/80
July 29, 2021**

We would like to thank Mr. Sy and his team for the insightful report and by Mr. Andrianarivelo, Mr. N'Sonde, and Mrs. Raoilisoa Andrianometiana for the informative Buff statement. We would like to express our sympathy for the people in Cameroon affected by the Covid-19 crisis and very much welcome the initiatives taken by the authorities towards community support for vaccination.

We **support Cameroon's request for the UCT-quality program** that serves to address protracted balance of payments needs and support the reform agenda. Cameroon is an example of a country for which structural reforms cut both ways, supporting the recovery and long-term BoP-stability on the one hand, and increasing climate resilience on the other.

At the same time, we deem it essential that Cameroonian authorities show **progress in ensuring transparency on procurement and public expenditure**, given concerns that have been raised about public financial management, including Covid related spending. We welcome the governance-related commitments under the two rounds of RCF funding that have been included as prior actions. We positively note staff's statement indicating that prior actions have been met. However, we would appreciate staff's clarification on why the audit that was already committed by

authorities for the RCF-2 disbursement was set as a structural benchmark instead of a prior action?

We have some reservations with the proposed frontloading of disbursements, while we note that this is warranted to cover urgent finance needs related to Covid. Concerns about frontloading could be further mitigated by including the publication of the Chambre des Comptes audit as a structural benchmark. We deem it of utmost importance that this benchmark is met within the agreed horizon, but ideally before the first disbursement, to ensure transparency and accountability of public finances. We find it encouraging to read from the Buff statement that the authorities remain fully committed to fiscal transparency as agreed at the time of the RCF.

We also have concerns related to Cameroon's debt sustainability given the high risk of debt distress. It is encouraging that Cameroon managed to issue a Eurobond in 2021 and used the proceeds for, among others, liability management operations. We encourage close cooperation between staff and the authorities under the program to ensure consistency of spending and investment with fiscal targets. A downside risk is the financial situation of certain public and quasi-public sector companies, yet the staff report indicates that SOE debt has not been fully included in the DSA. Can staff comment on the impact of existing SOE debt on the government's contingent liabilities and debt vulnerabilities?

Furthermore, we would have preferred more outcome-oriented program conditionality. Measures seem **mostly focused on process related indicators**, such as plans to be submitted to the Fund. Outcome-related measures in the area of transparency, beyond the publication of the full COVID audit report and the measures foreseen in the Global Reform Plan for Public Finance Management (PFM) adopted in 2019 could be: i) a request for more formality and transparency (internationally recognized certification) in commodity exports, notably wood and gold mining, ii) strengthening of the position of the Chambre des Comptes, by the

adoption of the Code des Juridictions financières and iii) a request for publication of details of all public contracts, and iv) timely and accessible publication of the Annual Performance Reports by each ministry.

Finally, we would encourage staff to further assist the authorities in proceeding with **energy transition**, which appears to be both essential for the country's climate change mitigation efforts and its long-term BoP stability given the economy's high dependence on oil exports. As Cameroon is vulnerable to climate-related disasters, we welcome the floor on non-oil primary fiscal balance as a QPC to ensure economic diversification and resilience. We invite staff to consider how to further include climate resilience into the program.

With that, we wish Cameroon and the Cameroonian people all the best in their endeavors.

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GRAY/21/2251

July 27, 2021

**Joint Statement by Mr. Alhomaly, Mr. Alhosani, Mr. Saeed, and Ms. Al-Riffai on
Cameroon
(Preliminary)
Executive Board Meeting 21/80
July 29, 2021**

We thank staff for their comprehensive reports and Mr. Andrianarivelo, Mr. N'Sonde, and Mrs. Raoilisoa Andrianometiana for their helpful Buff statement. The COVID-19 pandemic along with other external shocks curtailed Cameroon's otherwise satisfactory performance under the 2017-20 Extended Credit Facility (ECF) arrangement that had helped avoid a balance of payments crisis in the CEMAC. We welcome the proposed successor program that builds upon the 2017–20 ECF regimen and aims to: (i) achieve a rapid economic recovery; (ii) strengthen medium-term external and fiscal sustainability; and (iii) implement an economic reform strategy targeting inclusive, sustainable and diversified growth. Against this backdrop, we support Cameroon's request for a blended ECF-EFF arrangement. We broadly agree with the staff appraisal and highlight the following points for emphasis.

An effective pandemic response remains a key short-term priority for the government while a gradual return to medium-term fiscal consolidation should pick up as the crisis subsides. Accordingly, we welcome the program's emphasis on health and social spending to avoid a premature tightening of fiscal policy that could prolong the crisis. We positively note that the revised 2021 Budget Law (RBL2021) assumes a gradual return to the fiscal consolidation path consistent with program objectives and CEMAC's convergence criterion. To that end, we welcome the plan to accelerate the structural fiscal reforms including the modernization of tax and customs administration; enhancement of public investment efficiency; reduction of fiscal risks stemming from SOEs; and the improvement of public financial management. We commend the government on their plan to further leverage digitalization through a digital strategy aimed at advancing projects that improve and modernize revenue mobilization efforts.

The government, through the proposed program, intends to appropriately rationalize non-priority spending in favor of continuing to protect the most vulnerable. We welcome that social expenditure in the budget aims to accelerate the government's social development objectives, since social spending remains low vis-a-vis other countries in Sub Saharan Africa. Furthermore, staff state that the execution rate of social spending remains

low and progress towards a targeted cash transfers scheme has been slow. In this regard, we take positive note of the recent collaboration with the World Bank that aims to better target transfers to the most vulnerable populations hit by the pandemic instead of the current universal tax expenditure system. *We would appreciate staff comments on the expected efficacy of setting spending floors in light of the stated slow transition to targeted cash transfers and the missed social spending floors under the previous program.*

Cameroon is at high risk of debt distress and though its debt remains sustainable, efforts to continue strengthening the public debt management framework are critical.

To that end, we welcome the preparation of a medium-term debt strategy and the update of Cameroon's disbursement plan for the large stock of committed but undisbursed loans for 2021-23. We also welcome building capacity around debt policy and management, as stated in the program's top three TA priorities. We welcome Mr. Andrianarivelo, Mr. N'Sonde, and Mrs. Raoilisoa Andrianometiana's statement in the Buff that the government intends to limit reliance on non-concessional borrowing to priority projects for which concessional resources are unavailable, whilst adhering to the program's debt limits. We take positive note that the government intends to perform an audit of highly indebted SOEs and assess their financial viability and *would appreciate staff comments on the size of the publicly owned enterprise sector and the envisaged timeline for the completion of that audit.*

The policies built into the program to strengthen governance and improve transparency are essential. Measures to strengthen the financial viability, governance, and oversight of SOEs are welcome, so are the intended measures to improve the AML/CFT framework and the implementation of the outstanding EITI corrective measures.

Finally, structural reforms to improve the business environment, promote diversification, enhance digitalization efforts and promote inclusion are critical to unlock Cameroon's inclusive and sustainable growth potential. Furthermore, and in light of Cameroon's vulnerability to natural disasters, we welcome the government's plans to strengthen the sustainable management of their natural resources and intensify their efforts towards responding to the detrimental impacts of climate risks on their economy.

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GRAY/21/2252

July 27, 2021

**Joint Statement by Ms. Kashima, Mr. Mochtar, Mr. O'Brolchain, and Mr. White on
Cameroon
(Preliminary)
Executive Board Meeting 21/80
July 29, 2021**

We thank staff for their informative report and Mr. Andrianarivelo, Mr. N'Sonde, and Mrs. Raoilisoa Andrianometiana for their helpful Buff statement.

We support Cameroon's request for a new ECF/EFF arrangement while stressing the need to strengthen governance and transparency as well as anti-corruption efforts. We are glad to see Cameroon returning to a UCT-quality program, following the two RCF disbursements in 2020. We share staff's view that the new arrangement could help in maintaining external stability through the implementation of the authorities' reform agenda and by catalyzing financial support from other donors. To enhance the efficacy and the credibility of the new arrangement, we strongly encourage the authorities to maintain their commitments to strengthen transparency and good governance, as well as enhance their anti-corruption efforts, including on the use of financing. *Could staff share its views on the several allegations among Cameroonian civil society organizations that a portion of last year's emergency financing from the Fund may have been used inappropriately?*

We welcome the authorities' ongoing response to mitigate the impacts of the pandemic. Vaccination of the population will be essential for securing a durable exit from the crisis. In this regard, we are glad that Cameroon has developed a national vaccination plan and begun vaccinating its population. We encourage the authorities to continue making every possible effort to secure vaccine doses for its population and accelerate the pace of vaccinations.

Gradual fiscal consolidation should remain a top priority, given Cameroon's fragile debt dynamics. We note that three of the four external indicators breached the relevant thresholds under the DSA's baseline scenario and that debt service costs will be well above the PRGT median over the medium term. In this context, we urge the authorities to continue

to prioritize revenue and expenditure reforms. The fiscal space unlocked by these reforms will be critical for supporting much-needed investments and social spending and placing debt on a more sustainable path. Further, the authorities should adhere to the program's cap on non-concessional financing and strengthen public debt management. Addressing fiscal risks arising from SOEs should also remain a high priority, as rightly emphasized in the program.

We remain concerned by the ongoing low execution rate of social spending. The authorities should continue to prioritize health and social support spending, particularly for the most vulnerable groups, such as women and minorities. This expenditure should be protected and scaled up, even within the context of the ongoing fiscal consolidation. Efforts must also continue to advance gender equality and the economic empowerment of women.

Strengthening fiscal transparency, including on the execution of COVID-19 expenditures, is critical. We welcome the completion of prior actions on the publication of the results of COVID-19 contracts as well as a report on the execution of COVID-19 expenditure in 2020, before the review of the program by the Executive Board. We also note that the COVID-19 expenditure audit has been submitted to the Fund, the Prime Minister, the Senate, and the National Assembly, and that the publication of the audit report is scheduled by end-December 2021 as a structural benchmark. We encourage the authorities to further strengthen transparency and good governance and effectively enforce the anti-corruption legal framework. Further, we recognize the acute nature of Cameroon's short-term needs, but with the publication of the COVID-related expenditure audit still outstanding we see merit in considering it as a prior action rather than a structural benchmark if staff proposes front-loaded program access. *Could staff explain why they chose to make the publication of the audit report a structural benchmark instead of a prior action?*

We encourage the authorities to closely monitor banking sector fragilities given the rising credit risks and NPL ratios. Financial inclusion should also be enhanced. Access to financial services is a critical enabling factor for reducing poverty and achieving more inclusive and sustainable growth.

We welcome the detailed update on Cameroon's Capacity Development Strategy in Annex V. We appreciate staff's close engagement with the authorities through the provision of high-quality TA closely aligned with program priorities. Continued support on capacity development, particularly in the areas of domestic revenue mobilization, expenditure and cash management, and debt management, will be essential for the success of the program.

Finally, we highlight the importance of securing a peaceful and lasting resolution to the security situation. We call on the authorities to make every effort to end this conflict, as a durable and lasting peace is a precondition for sustainable growth over the medium term.

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GRAY/21/2254

July 27, 2021

Statement by Mr. Peter and Mr. Keller on Cameroon
(Preliminary)
Executive Board Meeting 21/80
July 29, 2021

Performance under the previous ECF and the RCFs has been disappointing. Limited progress on fiscal consolidation, including expenditure management, has contributed to persistently high financing needs. We also express concern with respect to the misappropriation of COVID-related emergency financing, notwithstanding the completion of prior actions. We can reluctantly support the ECF/EFF arrangements, as we remain to be convinced that the proposed high and heavily front-loaded access would push the authorities to decisively address the structural issues of inconsistent debt policies, ineffective public investment, and open corruption. We are also concerned about the implications of the ECF/EFF on debt sustainability, also in the face of an ongoing local civil war and a highly uncertain political outlook. We note that reform intentions under the program are largely formulated in general terms and that the specific measures to be implemented are rather loosely defined.

We are concerned about recent reports that COVID-related financial support by the Fund has been misappropriated. We highlight the significant reputational risks—both for Cameroon and the Fund—of lingering allegations on embezzlement of funds destined to mitigate the effects of the pandemic and increase social spending. Such allegations related to the audit prepared by the Supreme Court of 2020 COVID-19 expenses require timely political investigation and decisive corrective judiciary action. *While noting that this key audit report has been received by the Fund, we wonder why its publication is not a prior action but only an indicative target for December, to be assessed during the second review. We welcome staff's comment.* We call on staff and the authorities to do their utmost to restore confidence and lift all possible doubts by quickly publishing the report.

The authorities' fiscal reform commitments remain uncertain. We encourage the authorities to accelerate fiscal reforms, many of which have been in the making for a long time without yielding much tangible progress. This includes making sure that budget

execution complies with authorizations to bind effective spending commitments and formulating fiscal policies consistent with strategies. Domestic revenue mobilization should be sustainably increased, including by limiting revenue losses and arrears. Expenditure management and treasury operations should be strengthened, including by discontinuing the reliance on exceptional procedures, which will require a change in administrative culture and increased accountability, to reduce corruption. Finally, we regret that the revised 2021 budget envisages increased consumer subsidies for petroleum products, which should be phased out over time and replaced by better and more effective social spending, including for health.

Strengthening public investment management remains a critical issue to ensure the effective use of public funds and improve debt dynamics. We encourage the authorities to tighten project selection and planning in accordance with standard public procurement rules and procedures. In particular, we are not convinced of the macro-criticality of many of the projects that are to be commercially financed, as listed in Table 1 of the TMU. We also urge the authorities to intensify controls of project execution through internal and external audits and to strictly ensure that project loans are drawn in step with assessed progress in project realization. We note that a substantial part of the current accumulation of domestic payment arrears is due to a lack of coordination and accountability and to corruption in managing project cycles.

Cameroon's high risk of debt distress needs to be tackled decisively to strengthen overall economic resilience. High access to Fund resources and continued commercial external financing compound debt risks. We urge the authorities to get a better grip on debt management and outstanding domestic obligations. Once these are audited, we expect that effective payment will follow to stop a domestic debt spiral that is having a detrimental impact on financial stability and public credibility. Continuous uncertainties on “float” and lingering payment arrears are a constraint to overall growth prospects and should be reduced to limit stress on the private sector and its own payment obligations, including wages.

The stability of the public sector hinges on durable reforms and improved supervision of state-owned enterprises (SOEs). We strongly encourage the authorities to work steadfastly on improving governance and reducing corruption related to SOEs. Decisive action is needed on the long-term SOE reform agenda, including on implementing existing legislation, enforcing contractual obligations, rationalizing their portfolio, depoliticizing enterprise management, and taking stock of arrears, cross-arrears, and liabilities. Reviewing service quality and pricing would help reduce the reliance of SOEs on subsidies and budget transfers and improve the business environment. The state oil companies deserve particular attention and need enhanced transparency. Financial relations within the sector, including the state refinery's role in providing petroleum subsidies, need clarification.

Financial sector supervision should be stepped up after the removal of forbearance measures. It can be assumed that asset quality has deteriorated while such measures were in

place. The monitoring of bank exposures, including to the public sector, and the enforcement of prudential standards need to be rigorously strengthened.

Governance and transparency should be enhanced also in the natural resources sectors.

The authorities should focus more on the forestry and mining sectors, which are particularly affected by informality, resource abuse, and corruption. These sectors bear great potential to contribute to revenue, growth, and jobs. Their contribution to national and international climate mitigation strategies could place Cameroon in a leading position in the development of green economy activities.

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GRAY/21/2260

July 27, 2021

**Joint Statement by Mr. Buissé, Ms. Riach, Mr. Rozan, Mr. Comolet, and Ms. Nelson on
Cameroon
(Preliminary)
Executive Board Meeting 21/80
July 29, 2021**

We thank staff for their comprehensive set of reports and Mr. Andrianarivelo, Mr. N'Sonde, and Mrs. Raoilisoa Andrianometiana for their insightful buff statement.

Following years of steady and robust growth, COVID-19 has had a significant impact on Cameroon's economy causing a significant decline in growth, while aggravating pre-existing macroeconomic vulnerabilities. We welcome the actions that the Government has taken to support livelihoods and save lives during this challenging period. Unfortunately, efforts to mitigate the spread of the virus have come at a significant economic cost, leading to an increasing fiscal gap and balance of payment needs, while compounding existing vulnerabilities. **In this context, we support the authorities' request for a three-year arrangement under the ECF and the EFF for a combined SDR 483 million (175 percent of quota).** We support the program's priorities and welcome the supplement, which confirms that the prior actions have been met. We note that IMF financing will help catalyse other financing. Doing so effectively, will require close donor cooperation. We also agree with staff that there are downside risks to the baseline and that flexibility will be necessary during program implementation. With Cameroon being the largest economy of the CEMAC region, we note that the new arrangement will support external stability at the regional level and the reconstitution of reserves.

The ECF/EFF arrangement will help the authorities to address the major economic and financial challenges underlined in the report, with a much-needed critical focus on improving governance, transparency, and anti-corruption efforts. We also note that it will help mitigate the consequences of the pandemic, support fiscal reforms, and address numerous debt vulnerabilities. Given that the program is ambitious and that the authorities have a good track record in implementing previous Fund financing commitments, we support the frontloading of financing.

Given the importance of further diversifying the economy and strengthening the private sector, we would encourage staff to include more structural benchmarks on these

themes in the first few reviews. Having more benchmarks on specific reforms will support the materialization of the objectives of the SND30. More specifically, to support the dynamism of the private sector, enhancing dialogue will be important. We therefore support the structural benchmark on strengthening the consultation format to ensure the implementation of the recommendations of the Cameroon Business Forum.

For the program to stay on track, it will be critical for the authorities to strongly commit to improve governance, strengthen transparency and combat corruption. In this regard, we strongly welcome that the unmet commitments from last year's IMF emergency financing were elevated to prior actions and a structural benchmark, and particularly given the allegations on corruption concerning COVID-19 funding. We welcome that these prior actions have now been met, and that the audit by the Chambres des Comptes relating to COVID-19 expenditure has been submitted to the IMF, Prime Minister, Senate and National Assembly. We further note that the program includes a structural benchmark to publish this audit by end December 2021. Early publication of this audit would help to ensure an adequate level of transparency and accountability on the use of COVID-19 funding and would enable swift remedial actions to be taken if necessary. *Could staff share their assessment of the audit, including the key headlines?* We welcome the information provided in paragraph 18 on strengthening governance and reducing corruption risks. However, we regret that “*a more targeted discussion of the institutional governance and anti-corruption frameworks*” and its translation into future structural benchmarks has been delayed. Having this diagnosis upfront could have helped inform the program design. Ensuring that progress on the overall transparency agenda must be a cornerstone of the program and we expect strong program implementation in this area.

We agree with staff that additional progress on structural reforms to enhance performance on both revenue collection and expenditure are key. We thank staff for the helpful table 1 that illustrates the possible gains from revenue enhancement. *In this regard, could staff elaborate on why improving the collection of tax arrears, streamlining tax exemptions, and the rationalization of expenditures are considered to be contingency measures only, rather than being part of the program design?* Indeed, considering the needs of the country, we remain convinced that the adjustment should hinge on greater domestic resource mobilization given the high tax potential for both oil and non-oil revenues. Regarding expenditure, we strongly welcome that the program includes a social spending target, as well as a limit on spending through exceptional procedures. We strongly encourage the authorities to protect social spending and the most vulnerable from the impact of the ongoing fiscal consolidation. *How do staff and the authorities envisage enhancing the quality and targeting of social spending over the course of the program?* Moreover, improving SOEs governance, public procurement, control, and internal/external audit will be critical going forward and we expect ambitions on these agendas to be anchored both through the program and through effective coordination with the World Bank.

We note that debt is considered as sustainable but remains at high risk of distress and is subject to significant downside risks. We further note that three out of four external debt indicators breach the thresholds under the baseline scenario, particularly the external debt service-to-exports ratio. The situation in SOEs remains worrying, especially for SONARA,

which needs a stronger and accelerated debt restructuring. *Could staff update us on the ongoing negotiations between SONARA and its external creditors, including oil traders?* As a general point, we expect strong progress on the transparency of SOE debt in the program. Full transparency should also extend to the DSSI. *Could staff give a breakdown of the implementation of the DSSI by specific creditors?* We welcome the issuance of Cameroon's new Eurobond on July 1st at favourable terms and welcome the authorities' commitment to limit non-concessional borrowing. *Could staff elaborate on the process that determined the eligibility of the 11 projects agreed under the new non-concessional borrowing limit, including whether a cost-benefit analysis has been conducted for each of them?*

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GRAY/21/2261

July 27, 2021

Statement by Mr. El Qorchi and Mr. Osei Yeboah on Cameroon
(Preliminary)
Executive Board Meeting 21/80
July 29, 2021

We thank staff for the well-written paper and Mr. Andrianarivelo, Mr. N'Sonde, and Mrs. Raoilisoa Andrianometiana for the insightful Buff statement. We agree with the thrust of staff appraisal and **support Cameroon's request for three-year arrangements under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF).**

The Covid-19 pandemic and recent domestic shocks have hit Cameroon's economy hard and amplified their development challenges. While the authorities acted swiftly with the help of the international community, including Fund's RCF, to contain the pandemic and save lives, the recent upsurge is concerning as it is undermining Cameroon's growth prospects. We note that the end-June infection cases reached 80,487 with 1,320 fatalities and vaccination has started. *Can staff elaborate on the pace of vaccination in Cameroon and whether the 104,000 people vaccinated are part of the expected allocation of 864,000 AstraZeneca and 200,000 Sinopharm vaccines? Can staff also provide update on the production of local anti-Covid-19 drugs by Cameroonian authorities (Annex III, 2)?* There are incipient signs of recovery, though expected to be gradual and uncertain. They are predicated on the path of the pandemic, the success of vaccine campaign, and the authorities' sustained commitment to structural reforms.

We welcome the authorities' renewed commitment for a new Fund-supported program, and note that the last program, while well on tract, was sidetracked due to extraordinary circumstances including security crisis. Under the 5 pillars strategy of Cameroon's home-grown national development strategy for 2020-30 (SND30), the new program is appropriately placed to help stabilize the economy, support the recovery, and foster diversified and durable growth. Given the country's external financing needs, the RCF/EFF is expected to be instrumental in catalyzing additional donor funding.

The near-term fiscal objective is to mitigate the impact of the pandemic and support a healthy recovery to protect lives and livelihood. The authorities' prudent policies kept 2020 fiscal deficit within 3.6 percent of GDP, better than most SSA peers, and offer scope for preserving health and social protection spending to limit scarring. That said, the authorities should revert to fiscal consolidation once the pandemic abates to build space for pro-growth investment, while ensuring debt is on a downward trajectory. Noting that persistent underestimation of spending needs and commitments have undermined credibility and transparency, we encourage further strengthening of the fiscal framework and management. To this end, the authorities should reinforce the PFM framework and adopt strategies to clear verified arrears. We underscore the importance of accelerating revenue reforms and administration to create further fiscal space to help the authorities bolster social safety nets given the elevated poverty. That said, the authorities should resort to further rationalization of nonpriority spending should downside risks to the outlook materialize.

Financial sector policies should strengthen financial stability and inclusion. While the COBAC deployed supportive policy to aid CEMAC countries' responses to the pandemic, a number of small banks in Cameroon are under-capitalized and credit risk is rising. In this context, the authorities should strengthen their bank monitoring and supervisory functions to safeguard financial sector stability and deepen financial intermediation. We encourage the authorities to leverage digitalization, including mobile money platforms to promote financial inclusion. This will prove critical in facilitating women's access to financial and payment services, a priority focus of the authorities.

Strengthening good governance, transparency, and the fight against corruption will reinforce the authorities' resolve to boost the business climate and lay the ground for inclusive growth. In this regard, safeguarding the autonomy of Cameroon's specialized anti-corruption agency will greatly help the authorities' agenda. We welcome the authorities' intent to use their reform agenda to improve productivity and unleash the potential of Cameroon's private sector. Similarly, efforts by the authorities to strengthen property rights and the rule of law will bolster investor confidence and accelerate private sector-led economic diversification and growth. We commend the Cameroonian government for the solid progress made in promoting gender equality and the pledge to facilitate access to finance for women. We welcome Cameroon's green initiative to ensure sustainable management of the country's varied natural resources and look forward to its success which could serve as an example for other African countries seeking to pursue similar goals. Considering the importance of digitalization in scaling-up economic recovery, we support the prominent role accorded by the authorities to digitalization in their SND30 agenda.

We wish the people and government of Cameroon a successful program.

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GRAY/21/2262

July 27, 2021

**Statement by Mr. Palei and Mr. Shestakov on Cameroon
(Preliminary)
Executive Board Meeting 21/80
July 29, 2021**

We thank staff for the informative report on Cameroon and Mr. Andrianarivelo, Mr. N'Sonde, and Mrs. Raoilisoa Andrianometiana for their helpful Buff statement. **We agree with the thrust of the staff appraisal and support the authorities' request for a three-year arrangement under the Extended Credit Facility and the Extended Fund Facility (ECF/EFF).** Before the COVID-19 pandemic Cameroon had broadly satisfactory performance under the 2017-20 ECF-supported program. During the crisis RCF financing helped to address BOP difficulties. The new ECF/EFF arrangement will help the country to sustain reforms necessary for robust and inclusive recovery, while addressing risks, which stem from a high debt level. The Fund's support is expected to cover slightly more than one third of financing needs in 2021-22, which is a substantial share of total financing. We hope that the Fund's participation will play its catalytic role in drawing additional support from other lenders.

Cameroon faced formidable development challenges even before the pandemic. The anti-crisis policy response was appropriate and necessary. The COVID-19 shocks further increased economic vulnerabilities. Without additional reform efforts, the authorities would risk reversing the hard-won gains in poverty reduction and undermine the reform agenda. The Fund should support the envisaged multi-year post-pandemic reforms.

We note the authorities' commitment to transparency and their plans to publish the audit report and the report on expenditures execution for COVID-19-related expenditures. Fiscal transparency should be an even stronger part in the new frontloaded program, given the need to reestablish trust in public institutions after the recent cases of embezzlement of the COVID-related funds. *What safeguards have been put into design of the new program to address broad governance vulnerabilities and ensure appropriate use of the funds?*

Revenue mobilization over the program period would help to mitigate debt sustainability risks. According to staff, Cameroon remains at high risk of debt distress,

therefore, it is critical to advance revenue mobilization while limiting non-concessional borrowing. Many measures over the program period are aimed to facilitate revenue mobilization, including better tax compliance, digitalization of tax administration, and broadening the tax base. Another important area of the reform is streamlining tax exemptions, which, according to the analysis by staff, currently benefit the wealthiest households.

Ambitious structural reform agenda should be instrumental in achieving inclusive and broad-based economic recovery. We welcome the proposed plans to create a directory of public enterprises to audit SOE debts and adopt a clearance plan to mitigate budgetary risks and strengthen the public finance management framework. We also welcome the proposed measures to improve the business climate through digitalization and reduced red tape, as well as the measures to promote gender equality through modification of discriminatory laws and promotion of female entrepreneurship.

With these comments, we wish the authorities every success in facing challenges ahead.

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GRAY/21/2264

July 28, 2021

**Statement by Mr. Jin and Mr. Huang on Cameroon
(Preliminary)
Executive Board Meeting 21/80
July 29, 2021**

We thank staff for the well-written set of reports and Mr. Andrianarivelo, Mr. N'Sonde, and Mrs. Raoilisoa Andrianometiana for their helpful Buff statement. The pandemic crisis continues to weigh on Cameroon's economy, but with impact milder than previously expected. The authorities' timely policy response, together with the Fund's two disbursements under the Rapid Credit Facility (RCF), helped to mitigate the economic fallout. We support the authorities' request for a new ECF/EFF program and would like to limit ourselves to the following for emphasis.

A gradual and revenue-focused fiscal consolidation is needed to preserve debt sustainability while supporting the nascent recovery. We commend the authorities' commitment to converge to the regional deficit ceiling by 2024. Given the uncertainty of the pandemic and challenges posed by the security situation, some flexibilities on the pace of consolidation are needed, and contingency measures should be in place. We welcome the program's focus on enhancing domestic revenue mobilization. Some progress has been made on this front during the previous ECF program. The authorities are encouraged to continue their efforts to reduce discretionary tax exemptions, improve tax compliance, and digitalize tax administration.

The risk of debt distress is high, but with overall debt profile improved. The authorities' commitment to maintain a prudent borrowing strategy is commendable. We see merit in allowing some non-concessional borrowing to finance high priority projects that are critical for development but could not be financed by concessional lending. Safeguard measures should be in place to ensure the right projects are selected. With the recent issuance of Eurobond, the authorities are encouraged to further improve their public debt management with the help of the Fund's technical assistance.

Structural reforms are essential to achieve the authorities' goal of economic transformation. We welcome the authorities' National Development Strategy for 2020-30, which rightly focused on industrialization, human capital accumulation, promotion of employment, and governance improvement. These four pillars, if successfully implemented, would set Cameroon on a path toward rapid growth. In this regard, we welcome the authorities' plan to further improve the business environment, including simplifying the business startup process and digitalizing public service. These are critical to promote the development of the private sector.

With these remarks we wish the authorities success in their future endeavors.

**Cameroon—Request for Three Year Arrangements Under the Extended Credit Facility and
Extended Fund Facility Staff Oral Statement**

Responses to Technical Questions Posed by Executive Directors in Advance of

EBM/21/80—07/29, 2021

Staff's responses to technical questions are below. Broader policy questions in the areas of program design and governance will be addressed in staff's intervention at the Board meeting.

Outlook / Risks

1. Could staff elaborate on the pace of vaccination in Cameroon and whether the 104,000 people vaccinated are part of the expected allocation of 864,000 AstraZeneca and 200,000 Sinopharm vaccines? Can staff also provide an update on the production of local anti-Covid-19 drugs by Cameroonian authorities (Annex III, 2)?

- The vaccination rollout in Cameroon has been slow as in many SSA countries. Delayed availability of vaccines has been compounded by concerns about vaccine safety. Ensuring needed follow-up doses has also been an issue. The government intends to intensify its communication to encourage a more positive response. There is little progress on local production on COVID treatments.

Program Design and Financing

1. Could staff comment on key reforms from the previous ECF that still need to be enforced or adequately implemented?

- Follow-up will be needed in public financial management and public investment management, public debt management, including ensuring consistency between the medium-term debt strategy and project planning. Following up on the recent diagnostic of SOEs undertaken by FAD will also be needed as it seeks to improve the governance, transparency of operations, financial relations with the State, and reduce budgetary risks. Cameroon also needs to accelerate reforms to improve the business climate. Improving governance remains an important cross-cutting theme.

2. Can Staff elaborate on the mix of concessional and non-concessional borrowings in the previous ECF arrangement?

- The mix of concessional and non-concessional borrowing for 2021 of the proposed ECF-EFF program is in line with the previous ECF program mix, with a zero ceiling for new non-concessional borrowing adjusted up to CFAF 300 billion, exclusively for specified projects. For example, the mix of financing for 2019 was based on a CFAF 300 billion limit for non-concessional borrowing and CFAF 318 billion for concessional borrowing.

3. Can Staff comment on the sequencing of the financial support from other lenders and donors?

- Discussion with the authorities and other IFI and bilateral donors confirmed that IMF assistance has been critical in securing and catalyzing the needed additional financing. In addition to the extension of the DSSI to end-2021, the WB (July-2021, December-2021, Q1-2022, Q4-2022), EU (Q4-2021), and BDEAC (Q4-2021) are expected to provide budget support for 2021-22, and the AfDB is currently preparing its budget support to be disbursed in 2022.

4. Can Staff elaborate on its assessment that Cameroon's capacity to repay remains adequate?

- Cameroon's capacity to repay remains adequate, and its annual repayments peak at 0.4 percent of GDP in 2027. The comparison with the PRGT median compares Cameroon's outstanding and prospective repayments to outstanding payments for PRGT countries, which introduces a bias.

5. Can Staff provide an update on their discussions with the authorities on potential uses for Cameroon's SDR allocation, including bolstering CEMAC's reserves and strengthening their COVID-19 response plan?

- Cameroon is expected to receive an SDR allocation of about \$370 million (CFAF 210 billion or 0.87 percent of GDP) in August 2021 which would bolster CEMAC's international reserves and could be used to substitute for anticipated but delayed donor support, and to strengthen the country's COVID-19 response plan. Cameroon's SDR allocation is not included in the staff report's projections and its use and potential implications on the program will be further discussed during the first review.

6. Can Staff clarify whether non-Paris Club bilateral creditors have provided debt relief to Cameroon under the Debt Service Suspension Initiative in 2020-21? Could staff give a breakdown of the implementation of the DSSI by specific creditors?

- According to authorities' data, from May 2020 to June 2021, non-Paris Club bilateral creditors have provided debt service suspension of estimated CFAF 59.3 billion. Please see below table.

	May-Dec 2020	Jan-Jun 2021 (prel.)	Jul-Dec 2021 (est.)	2021 Total (est.)
Total	123.6	83.0	83.5	166.4
Paris Club	91.8	55.5	55.9	111.4
Belgium	0.5	0.0	0.5	0.5
France	88.4	53.5	53.5	107.0
Germany	1.1	0.6	0.6	1.2
Japan	0.5	0.1	0.1	0.2
Korea	0.7	0.6	0.6	1.3
Spain	0.6	0.6	0.6	1.1
Swiss	0.1	0.1	0.1	0.2
Non-Paris Club	31.8	27.5	27.5	55.0
China	29.8	25.0	25.0	50.1
India	0.8	0.8	0.8	1.6
Kuwait	0.6	0.9	0.9	1.9
Saudi	0.6	0.7	0.7	1.4

Source: Cameroonian authorities

7. Can Staff comment on the expected efficacy of setting spending floors in light of the stated slow transition to targeted cash transfers and the missed social spending floors under the previous program? How do staff and the authorities envisage enhancing the quality and targeting of social spending over the course of the program?

- Performance under the previous ECF program was broadly satisfactory with the authorities meeting this floor on four reviews out of five. On the cash transfer mechanism, the Government is committed to gradually phasing out the least effective tax exemption measures and replacing them by conditional cash transfer mechanisms, with World Bank support.
- Staff will be working closely with the World Bank. As a background, the World Bank's \$100 million Development Policy Operation (DPO) approved on April 19 is the third in a series of three. One of its key objectives is to improve equity and efficiency in the allocation and use of health resources, as well as to scale up social protection.

8. Could staff elaborate on the process that determined the eligibility of the 11 projects agreed under the new non-concessional borrowing limit, including whether a cost-benefit analysis has been conducted for each of them?

- The list of projects includes three projects approved in the 2020 borrowing plan, but which were not signed in 2020, as well as eight new non-concessional loans of crucial importance for the realization of the SND30 and for which concessional financing is not available. New projects focus mainly on strengthening electrification, roads construction, and the rehabilitation of Douala International Airport. Views on the project list have been sought from the World Bank and the AfDB.
- The Ministry of Planning (MINEPAT) sets up a project bank that feeds the multi-year Priority Investment Program (PIP) of the government. The PIP is discussed at a Budgetary Policy Debate (Debat d'Orientation Budgetaire – DOB) with the Parliament during the June session. The project list derives from the PIP and its adoption relies on the SND-30, sectoral strategies, completion of major projects and interconnection with existing projects, fiscal space available while taking into account projects under execution, project envelope, maturity and financial conditions, and other terms.

Fiscal Policy

9. Could staff elaborate on a Medium-Term Revenue Strategy not being yet in place? Could Staff elaborate on why new tax policy reforms are not already included in the 2021 Revised Budget Law?

- Discussions on the Medium-Term Revenue Strategy are ongoing in parallel with the proposed ECF-EFF program. The authorities held meetings with FAD to discuss key steps in this process. Additionally, a diagnostic of key fiscal and policy measures will be prepared and used for future conditionalities.

- An upcoming IMF TA mission in 2021 will provide a good basis for tax policy reforms over the medium-term. In a post-COVID economic recovery context, the government has chosen tax breaks, by suspending the creation of new levies to support companies, to ensure a rapid recovery.

10. Could Staff provide information on the scale of funds estimated for pandemic-related spending in 2021-2022 in addition to the 0.3 percent of GDP dedicated to vaccination costs.

- The authorities have adopted a three-year Preparedness and Response Plan, requiring total financing close to US\$ 825 million. The plan includes five pillars: (i) health strategy to prevent the spread of the pandemic and take care of infected persons (US\$101 million); (ii) mitigation of economic and financial repercussions of the pandemic (US\$646 million), including a US\$200 million tax relief to affected businesses; (iii) supply of essential products (US\$9.5 million); (iv) local development of innovative solutions (US\$16.5 million); and (v) social resilience to alleviate the repercussions of the pandemic on vulnerable people and households (US\$52 million).
- The Cameroonian authorities have created a special COVID-19 account, dedicated to financing the national pandemic response plan. A circular issued by the Minister of Finance specifies the modalities for the organization, operation, and monitoring-evaluation of the account. In June 2020 they allocated close to CFAF473.8 billion (excluding vaccination procurement and delivery) to the account over the 2020-23 period, financed at 76 percent by external budgetary support and resources released by debt service suspension. The 2021 Finance Law enacted in December 2020 allocates close to CFAF 200 billion to the account, of which CFAF 81 billion to finance vaccine procurement and delivery.

11. Can Staff elaborate on the breakdown of additional non-oil revenues of 2.6 percentage points of GDP by 2024?

- Revenue measures include among others i) streamlining the least effective tax exemptions, ii) recovering tax and customs arrears, iii) implementing measures to take charge of taxes, duties and taxes arising from cross-debt agreements, and arrears inherent in jointly funded cash markets. The tax and customs administrations will also strengthen control over companies presenting the risk of minorizing their declarations and intensify the campaign to improve the performance of State revenues (MEFP, ¶21).

12. Could staff elaborate on why improving the collection of tax arrears, streamlining tax exemptions, and the rationalization of expenditures are considered to be contingency measures only, rather than being part of the program design?

- These measures are part of the proposed ECF-EFF program as highlighted in the SR ¶22-23-24-25 and the MEFP, ¶20, 21, 26-27-28-29, and contingency measures include among others accelerating these efforts.

Governance

13. Could staff elaborate on why contracts before October 2020 appear not to be published, given that the first RCF was disbursed in May 2020?

- As part of the RCF-2 prior actions, the authorities have already published before the board date the backlog of COVID related contracts awarded since May 4, 2020, including the beneficial ownership.

14. Could staff explain why they chose to make the publication of the audit report a structural benchmark instead of a prior action? Could Staff clarify why the audit that was already committed by authorities for the RCF-2 disbursement was set as a structural benchmark instead of a prior action?

- Article 9 of the Audit Bench's (Chambre des Comptes) Ordinance notes the following sequence: Transmission of the final audit report to the President of the Republic (via the Prime Minister), National Assembly and Senate in a first step (Article 9.1); then Presentation of the final audit report to the Finance and Budget Commissions of both the National Assembly and the Senate, (Article 9.2) and finally Publication. The Audit Bench was scheduled to present the final audit report to the National Assembly in June 2021, but coordination problems delayed the process.
- As a Prior Action for the proposed ECF-EFF program, the authorities transmitted the audit report to IMF staff, the Prime Minister, Senate, and National Assembly. The authorities are committed to publishing this report by end-2021 (structural benchmark).

15. Could staff share its views on the several allegations among Cameroonian civil society organizations that a portion of last year's emergency financing from the Fund may have been used inappropriately?

- The concerns about the quality of governance were provoked by a leaked preliminary audit report by the Supreme Court's Audit Bench (Chambre des Comptes) on COVID-19 related expenditures, which was agreed to in the context of Cameroon's RCFs. The RCFs requirements for transparency and improved governance are having the intended effect of highlighting questionable transactions. The investigations regarding alleged misappropriation are ongoing.
- Staff with the help of COM is intensifying outreach and communication with stakeholders and has met with CSOs to better clarify the commitments under the program. AFR and COM are continuing to implement their communication strategy.

16. Could staff share their assessment of the audit, including the key headlines?

- The report is thorough and detailed. It focuses on measures taken by MINSANTE (health), MINRESI (scientific research and innovation) and MINFI (finance), which had the most significant expenditure under the Special Fund during the 2020 financial year (up to 31 December 2020). The Audit Bench notes that the Government's response to the pandemic was swift and the national health system was able to manage the cases in 2020, which remained limited. However, the report identifies several constraints, including:

- i. “The lack of centralized accounting of commitments and payments under the Special Fund for National Solidarity, which handicapped the Prime Minister's strategic piloting of the pandemic response, by not allowing a complete and real-time view of the action of ministries.”
- ii. “The award of special contracts was opaque and susceptible to abuse, many of which the report notes could be qualified as criminal offences. The use of derogation procedures beyond July 2020 was costly for public finance, and sometimes the procedures were slower and less effective than ordinary procedures.”

17 What safeguards have been put into design of the new program to address broad governance vulnerabilities and ensure appropriate use of the funds?

Staff will respond to this question during the Board meeting.

SOEs including SONARA

18. Could staff elaborate on the timeline and estimated fiscal costs for SONARA’s restructuring delay and implications for debt management? Could staff update us on the ongoing negotiations between SONARA and its external creditors, including oil traders?

- Risks to SONARA’s restructuring plan appear limited. The authorities have secured repayment to all creditors (banks and non-bank traders) via the line CFAF 47,88 per liter charged on fuel sold on the local market, with monthly proceeds amounting to CFAF 80-85 billion per year deposited in an escrow account opened at the central bank. In good faith, the authorities have started repaying banks during October-December 2020 based on the initial 7-year maturity agreement signed earlier. In addition, they have repaid each individual creditor during January 2021–April 2021, based on a proposed 10-year maturity plan under discussion with banks (represented by APECCAM) and traders (represented by Vitol). The authorities are confident they can reach a full agreement with all SONARA’s creditors soon.

19. Can staff comment on the impact of existing SOE debt on the government’s contingent liabilities and debt vulnerabilities?

- Debt of SOEs that is not included in the debt stock is estimated at around 8 percent of GDP and is accounted as part of Cameroon’s contingent liabilities stress test.

20. Can staff comment on the size of the publicly owned enterprise sector and the envisaged timeline for the completion of the audit?

- Work is ongoing for CAMWATER, CAMTEL and PAD and has only just started for CDC, IMPRIMERIE NATIONALE, SEMRY, CENEEMA. ToRs are being validated to start diagnostic assessments for SIC and PAMOL.
- SOEs and Public Agencies in Cameroon include about 160 parastatal companies (82) and agencies (84) delivering essential services in key sectors such as energy, oil and gas, agriculture, finance, and transport. SOEs are among the country’s largest employers, with close to 35,000 staff (source: MoF “Green Book” 2018).

Debt and Debt Sustainability

21. Could staff elaborate on the possible use of a higher non-concessional borrowing ceiling to buy back the 2015 Eurobond (MEFP ¶18)? Furthermore, can staff explain how the use of non-concessional external borrowing will be monitored?

- On non-concessional borrowing (NCB) limit, the proposed ECF-EFF program remains in line with the previous ECF program. In accordance with the Fund's Debt Limits Policy, the ceiling on NCB external debt is set to zero, but with an adjustor to support projects that are integral to the authorities' national development program (SND 30) for which concessional financing is not available.
- A list of projects respecting these conditions has been identified for 2021 and the authorities are committed to limiting any NCB to this list. Additionally, the authorities will consult with IMF staff before contracting new projects or financing approved projects.

Financial Sector

22. Could Staff elaborate on the ongoing and planned risk mitigation measures against rising NPLs and banks' sovereign exposure? With credit risks arising, can Staff elaborate on the factors behind the broadly stable banks' profitability. Can staff comment on the reasons for the relatively low level of access to financial services in Cameroon?

- Reducing government arrears to the private sector would help reduce NPLs and developing the local investor base beyond banks (pension funds and insurance companies) would help in terms of reducing banks' sovereign exposure.
- Additional measures are discussed in detail in the CEMAC Staff Report EBS/21/57 where Staff advised SG-COBAC to closely monitor lending and asset quality developments and conduct a bank-by-bank study to assess the possible impact of an exit strategy at end-2021, as initially planned. The implementation of reforms such as the operationalization of the registry of movable collateral, and the law to help clean-up NPLs from bank balance sheets may also help mitigate a further rise in NPLs.
- Bank profitability is in part being driven by earnings from sovereign holdings.
- The high level of informality of the economy coupled with a less rapid adoption of mobile payments have contributed to the relatively low level of access to financial services.

CONSTITUENCY CODES

OEDAE

Angola, Botswana, Burundi, Eritrea, Eswatini, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe

OEDAF

Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé & Príncipe, Senegal, Togo

OEDAG

Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay

OEDAP

Australia, Kiribati, Korea, Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, and Vanuatu

OEDBR

Brazil, Cabo Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor-Leste, and Trinidad and Tobago

OEDCC

China

OEDCE

Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, and Spain

OEDCO

Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines

OEDEC

Austria, Belarus, Czech Republic, Hungary, Kosovo, Slovak Republic, Slovenia, and Turkey

OEDFF

France

OEDGR

Germany

OEDIN

Bangladesh, Bhutan, India, and Sri Lanka

OEDIT

Albania, Greece, Italy, Malta, Portugal, and San Marino

OEDJA

Japan

OEDMD

Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, and Tunisia

OEDMI

Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar, United Arab Emirates, and Yemen

OEDNE

Andorra, Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, Moldova, Montenegro, Netherlands, Republic of North Macedonia, Romania, and Ukraine

OEDNO

Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden

OEDRU

Russian Federation and Syrian Arab Republic

OEDSA

Saudi Arabia

OEDST

Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Philippines, Singapore, Thailand, Tonga, and Vietnam

OEDSZ

Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan

OEDUK

United Kingdom

OEDUS

United States