

**EXECUTIVE
BOARD
MEETING**

EBS/20/1
Supplement 2

January 21, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Cameroon—Fifth Review Under the Extended Credit Facility Arrangement and Request for a Waiver of Nonobservance of a Performance Criterion and Modification of Performance Criteria—Supplementary Information, Revised Proposed Decision, and Supplementary Letter of Intent**

Board Action:	Executive Directors' consideration (Formal)
Tentative Board Date:	Wednesday, January 22, 2020
Proposed Decision:	Pages 2–3
Publication:	Yes*
Questions:	Mr. Sy, AFR (ext. 38651)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—African Development Bank, Islamic Development Bank, Organisation for Economic Cooperation and Development, World Trade Organization

*The authorities have indicated that they consent to the Fund's publication of this paper.



CAMEROON

FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR WAIVERS OF NONOBSERVANCE OF A PERFORMANCE CRITERION AND MODIFICATION OF PERFORMANCE CRITERIA— SUPPLEMENTARY INFORMATION, REVISED PROPOSED DECISION, AND SUPPLEMENTARY LETTER OF INTENT

January 21, 2020

Approved By
David Owen (AFR) and
Vitaliy Kramarenko (SPR)

Prepared by the African Department in consultation with the Legal Department and the Strategy, Policy and Review Department

- 1. This supplement requests to add a loan to the list of projects, for which the adjustor to the 2020 non-concessional borrowing (NCB) ceiling can be applied.** The projects included in the list (Text Table 1) are those judged to be integral to the authorities' development program and for which concessional financing is not available. The loan agreement in question was initially included in the list of projects agreed with the authorities for 2019 but was delayed to 2020 for administrative reasons. As the loan was expected to happen in 2019, the shift to 2020 does not change the thrust of the staff appraisal. The loan agreement with the Kuwait Development Fund, in the value of CFAF 8.6 billion, will finance the construction of a section of the Olama-Kribi road. The total cost of the Olama-Kribi road is about CFAF 42 billion, of which CFAF 38 billion have been financed externally with non-concessional loans starting in May 2015.
- 2. This supplement also proposes to remove the request for the modification of one December 2019 criterion given the delay of the review.** The authorities had previously requested the amendment of the quantitative performance criterion on the floor of the non-oil primary fiscal deficit for December 2019. As the review has been delayed from December 2019 to January 2020, a modification is no longer possible and the authorities are no longer requesting the amendment. Table 1 of the MEFP now omits the proposed modified PC for December.
- 3. This supplement also updates the status of the structural benchmark on audits of a few major SOEs.** As of December 2019, this structural benchmark was not met. It is proposed to be reset to March 2020.
- 4. A revised proposed decision and a supplementary letter of intent are attached to this supplement.**

Revised Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

1. Cameroon has consulted with the Fund in accordance with paragraph 4.D (b) of the arrangement for Cameroon under the Extended Credit Facility (EBS/17/63, 06/16/2017) (the “ECF Arrangement”) to review program implementation and to reach understandings regarding the conditions for further disbursements under the ECF Arrangement.
2. The letter dated January 7, 2020 from the Prime Minister and Head of Government, as supplemented by the letter dated January 21, 2020 from the Minister of Finance, (the “January 2020 Letters”), together with its attached Memorandum of Economic and Financial Policies (the “January 2020 MEFP”) and Technical Memorandum of Understanding (the “January 2020 TMU”), shall be attached to the ECF Arrangement, and the letter dated June 16, 2017 from the Prime Minister and Head of Government, together with all of its attachments, as supplemented and modified, shall be read as further supplemented and modified by the January 2020 Letters and their attachments.
3. Accordingly, the ECF Arrangement for Cameroon shall be amended as follows:
 - a. In paragraph 4.E (b) of the ECF Arrangement, the reference to “paragraph 34 of the June 2019 MEFP” shall be revised to refer to “paragraph 35 of the January 2020 MEFP”.

- b. In paragraph 5 of the ECF Arrangement, the reference to “Table 1 of the June 2019 MEFP and further specified in the June 2019 TMU” shall be revised to refer to “Table 1 of the January 2020 MEFP and further specified in the January 2020 TMU”.
4. The Fund decides that the fifth review specified in paragraph 4.D (b) of the ECF Arrangement for Cameroon is completed, and that Cameroon may request the sixth disbursement referred to in paragraph 2(f) of the ECF Arrangement, notwithstanding the non-observance of the continuous performance criterion on the ceiling on the accumulation of new external payment arrears, specified in paragraph 5(a) of the ECF Arrangement, on the condition that the information provided by Cameroon on performance under this criterion is accurate, and on the further condition that the information provided by Cameroon on the implementation of the measures specified as prior actions for the fifth review in Table 2 of the January 2020 MEFP is accurate.

Supplementary Letter of Intent

January 21, 2020

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street N.W.
Washington, D.C. 20431
U.S.A.

Madam Managing Director:

Further to the Letter of Intent dated January 7, 2020 sent to you by the Prime Minister, Head of Government, in order to request the conclusion of the 5th review of the economic and financial program supported by the International Monetary Fund under the Extended Credit Facility, I wish to inform you that on January 13, 2020 the government has signed a new non-concessional loan with the Kuwait Development Fund to finance the construction of a section of the Olama-Kribi road, an infrastructure improvement project that has started in 2015. The loan was initially included in the list of loans agreed to be contracted in 2019. However, its contracting was unexpectedly delayed for administrative reasons. The loan agreement is still not effective as the conditions for its entry into effect have not yet been met. The government is requesting that this loan be added to the list of loans under the new non-concessional borrowing limit for 2020. The amount of the loan is small (CFAF 8.6 billion or 0.04 percent of GDP). In addition, as the review has been delayed, a modification of end-December performance criteria is no longer possible and we are no longer requesting the amendment of the quantitative performance criterion on the floor of the non-oil primary fiscal deficit for December 2019.

Sincerely yours,

/s/

Louis Paul MOTAZE
Minister of Finance

**Text Table 1. Cameroon: List of Projects Under the NCB Target,
Likely to be Signed the First Semester of 2020**

Projects

- 1 Completion of the Olembe Sports Complex in Yaounde
- 2 The Olama - Kribi road (section to be financed by the Kuwait Development Fund)
- 3 Project for the interconnection of electricity network between Cameroun and Chad
- 4 Project for the development of the value chain in livestock and fish breeding
- 5 Project for the renovation of the national center for the rehabilitation of disabled persons
- 6 Project 25 wagons
- 7 Project for the construction and equipment of the annex building of the Mbalmayo regional hospital
- 8 East Entrance Douala road (phase II)
- 9 Construction of 225 KV transmission lines between N’Gaoundéré and Tibati
- 10 Project to build the Ebolowa-Kribi (225 KV) and Mbalmayo-Mekin (90 KV) electric power transmission lines
- 11 Construction of a bridge over the Tildé river (Route Mora-Dabanga –Kousserie)
- 12 Road program phase 3 (Ring Road)
- 13 National road rehabilitation project N ° 1: Ngaoundéré-Garoua
- 14 Logistics area of the port of Kribi: Construction of the 225 KV electric power transmission line
- 15 Feasibility and design studies for the drinking water supply project for the towns of Buea, Tiko and Mutenguene
- 16 Logistics area of the port of Kribi: Development of the logistics area of the port