EXECUTIVE BOARD MEETING

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April 28, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Cameroon—Requests for Disbursement Under the Rapid Credit Facility, Extension of the Extended Credit Facility Arrangement, and Rephasing of Access—Debt Sustainability Analysis**

Board Action:	Executive Directors' **consideration** (Formal)
Prepared By:	The staffs of the Fund and the World Bank
Tentative Board Date:	**Monday, May 4, 2020**
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.**

INTERNATIONAL MONETARY FUND

CAMEROON

April 28, 2020

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY, EXTENSION OF THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REPHASING OF ACCESS—DEBT SUSTAINABILITY ANALYSIS

Approved By
David Owen and Marcello Estevão (IDA)

Joint Bank-Fund Debt Sustainability Analysis[1]

Risk of external debt distress:	High[2]
Overall risk of debt distress	High
Granularity in the risk rating	Sustainable
Application of judgement	No
Macroeconomic projections	Updated to incorporate expected economic impact of the covid-19 pandemic (lower growth and exports and wider fiscal deficit)
Financing strategy	Updated to include a larger financing gap and shift towards more concessional financing.
Realism tools flagged	None
Mechanical risk rating under the external DSA	High
Mechanical risk rating under the public DSA	High

[1] Debt coverage has remained unchanged compared to the previous DSA (IMF Country Report No. 20/48).

[2] Cameroon's Composite Indicator score is 2.76 based on the October WEO 2019 and the World Bank's 2018 CPIA. This implies that Cameroon has medium debt-carrying capacity.

This provides an update to the joint IMF-World Bank LIC-DSA for the 5th review under the concurrent ECF arrangement (IMF Country Report No. 20/48) from January 2020, in the context of the Cameroonian authorities' request for a disbursement under the Rapid Credit Facility to help meet a financing shortfall as a result of the Covid-19 pandemic. It includes updated projections for the macroeconomic framework and new information on borrowing. Cameroon remains at high risk of external and overall public debt distress; however debt remains sustainable conditioned on the availability of concessional resources and avoidance of additional non-concessional borrowing. The assessment is driven by breaches of the two thresholds for external debt service under the baseline, which have further intensified due to the incorporation of the Covid-19 shock, as well as a new one-off breach in the PV of debt-to-exports ratio and a worsening of market financing risks. However, a range of factors support the conclusion that debt remains sustainable. This rating is highly vulnerable to a range of risks and if downside risks were to materialize, the authorities would likely need to identify additional measures to ensure that debt is sustainable.

1. Highly preliminary estimates suggest Cameroon's public debt reached 42.9 percent of GDP at end-December 2019 (text table 1). This increase was largely driven by disbursements of multilateral and bilateral financing and the issuance of government bonds. Preliminary data on non-concessional external disbursements and new borrowing suggests that end-December PCs were met, remaining well below the ceiling for the latter (text figure 1). As of mid-March 2020, disbursements and borrowing appear limited, mainly driven by budget support and the signing of AfDB projects. A small amount of external arrears arose in April (10 billion CFAF) due to the Covid-19 shock but are in the process of being cleared.

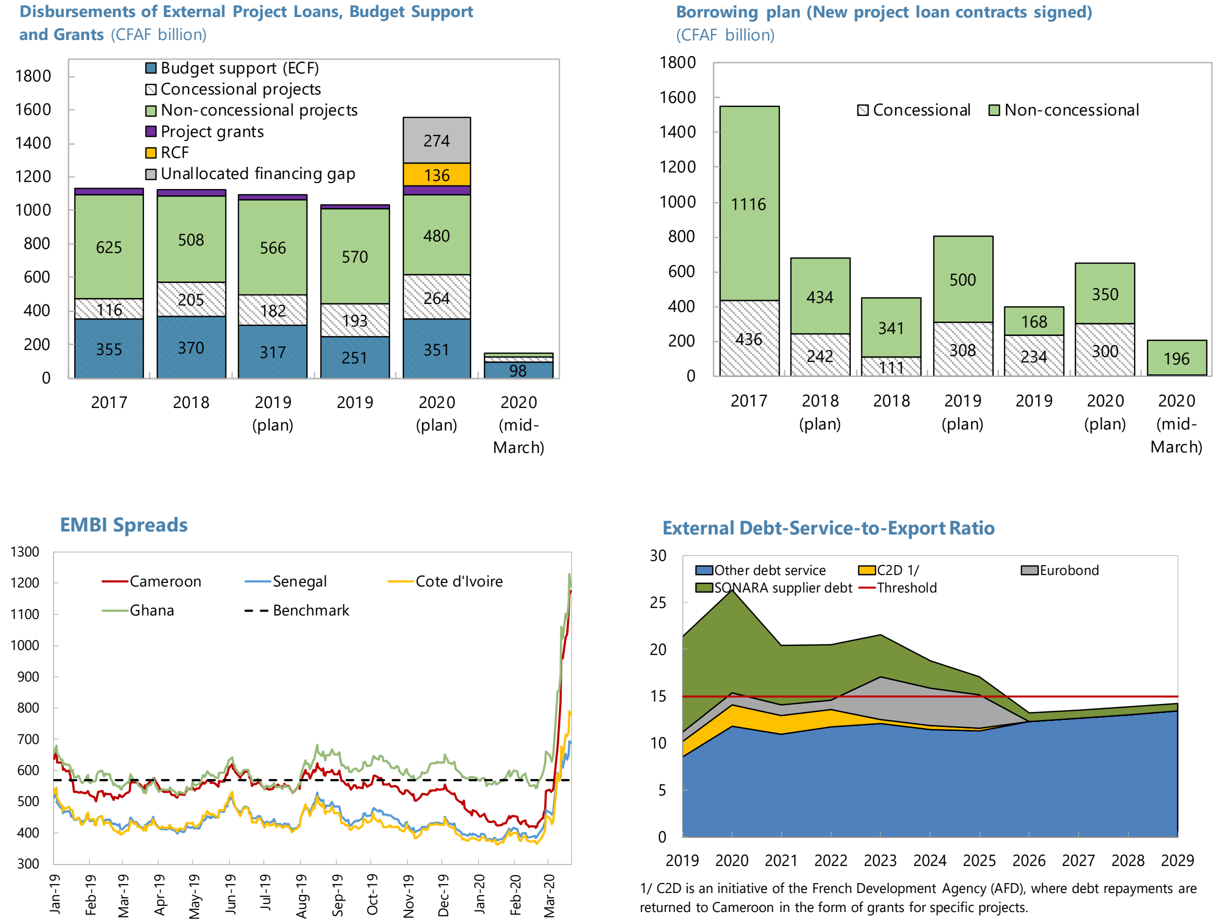
2. Updated macroeconomic assumptions incorporate the expected economic impact of the Covid-19 pandemic (text table 2). The shock is expected to concentrate in 2020, severely lowering growth and exports and widening the fiscal deficit, due to revenue losses and urgent spending needs. It is also projected to drag into 2021, owing to lower commodity price projections and delays in investment projects.

3. There are also changes in a number of financing assumptions (text table 3). In particular, 2020 includes budget support from the AfDB that was slightly delayed due to administrative reasons. Furthermore, the financing under the RCF at 136 billion FCFA was added to 2020 as well as an unallocated external financing gap over the medium term, which would allow restoring NFAs close to the level of the 5th review. Financing terms for the unallocated financing gap are assumed to be at IDA terms, reflecting expected additional financing from various sources (World Bank, AFDB, France, BDEAC) and the authorities' commitment to seek and prioritize concessional borrowing. Project loan disbursements are lowered for 2020, reflecting potential delays in imports, and shifted towards more concessional financing reflecting the authorities' commitment to prioritize concessional financing. As the last domestic bond issuance in mid-March was undersubscribed by 15 percent and inflation revised up, domestic interest rates are raised by 1 percentage point for 2020. Given that SONARA is expected to benefit from lower oil prices, external short-term debt in the medium term has been reduced to 0.1 percent of GDP as its viability should be restored more quickly.

4. Cameroon remains at high overall risk of public debt distress, but debt remains sustainable. As previously, thresholds are breached for the two external debt service indicators, due to the fragile liquidity situation. The Covid-19 shock aggravates these breaches in the short-term and raises debt stock projections. In addition, the PV of debt-to-exports ratio now breaches its threshold in 2020 due to the severe drop in exports and market financing risks have increased to moderate with a recent jump in EMBI spreads. Yet, staff continues to assess debt as sustainable due to a range of factors:

- Debt indicators remain on non-explosive paths and debt stock indicators remain below their thresholds under the baseline, except for a one-off breach.
- The debt-service-to-revenue ratio is on a clear downward trajectory and falls below the threshold after 2023.
- The breach of the debt-service-to-exports ratio has become more severe but remains largely due to the inclusion of SONARA's short-term supplier debt (text figure 1), which is backed by imported oil and is sensitive to rollover and reprofiling assumptions.
- The lower oil prices are expected to benefit SONARA and reduce its vulnerabilities, given the fixed domestic market price of refined oil.
- While SONARA does have external arrears, the authorities have only guaranteed one of SONARA's loans which has no outstanding payments and has been discontinued.
- The first principal payment of the Eurobond is only coming due in 2023, by when external market financing conditions are projected to have normalized.
- The baseline does not include the possible G20 debt service suspension, which could cover as much as 100 billion CFAF in 2020 and which the authorities are actively assessing to take part in.
- **This rating is highly vulnerable to a range of risks.** Key downside risks include a more protracted and severe Covid-19 shock, and realization of contingent liabilities, including from SONARA's potential reconstruction costs or delays in the expected restoration of its viability. On the upside the G20 debt service suspension and a successful reprofiling of SONARA's arrears, which stands to benefit from lower projected international oil prices, could lower debt-service ratios. If downside risks materialize, the authorities would likely need to identify additional measures to ensure that debt is sustainable. Allowing for new non-concessional borrowing would further weaken already compromised debt sustainability, go against the authorities' interest and undermine their efforts to secure international community's support in an environment in which G-20 just agreed on debt service suspension on bilateral government loans for low-income countries.

Text Figure 1. Cameroon – Key Debt Developments



1/ C2D is an initiative of the French Development Agency (AFD), where debt repayments are returned to Cameroon in the form of grants for specific projects.

Sources: Bloomberg, Cameroonian authorities', IMF staff calculation and projections.

Text Table 1. Cameroon: Public and Publicly Guaranteed Debt, 2017–19

	Dec-17		Dec-18		Dec-19 (Est.)	
	CFAF billion	percent of GDP	CFAF billion	percent of GDP	CFAF billion	percent of GDP
A. Public and publicly guaranteed debt (authorities' estimate: 1+2+3)	**6279**	**30.9**	**7389**	**34.4**	**8424**	**37.1**
1. External debt	4650	22.9	5652	26.3	6445	28.4
2. Domestic debt	1578	7.8	1691	7.9	1942	8.6
3. (External) Publicly guaranteed debt	51	0.3	46	0.2	37	0.2
4. Unpaid government obligations (float and arrears) 1/	838	4.1	489	2.3	598	2.6
5. External claims to SOEs (ex-SONARA)	9	0.0	9	0.0	9	0.0
6. SONARA debt 2/	534	2.6	597	2.8	711	3.1
7. o/w external	383	1.9	446	2.1	377	1.7
B. Public and publicly guaranteed debt (staff estimate: A + 4+5+6)	**7659**	**37.7**	**8484**	**39.5**	**9741**	**42.9**
Domestic	2567	12.6	2331	10.8	2873	12.7
External	5093	25.1	6153	28.6	6868	30.3
o/w publicly guaranteed	60	0.3	55	0.3	46	0.2
C. Stock of contracted but undisbursed debt 3/	**4424**	**21.8**	**4043**	**18.8**	**3473**	**15.3**
Domestic	178	0.9	171	0.8	65	0.3
External	4245	20.9	3873	18.0	3408	15.0
o/w multilateral	1848	9.1	1627	7.6	1674	7.4
o/w bilateral	1719	8.5	1545	7.2	1122	4.9
o/w commercial	679	3.3	701	3.3	613	2.7

Sources: Cameroonian authorities, and IMF staff calculations.
1/ Data is very preliminary and could likely be revised.
2/ 2019 data as of end-September.
3/ Excludes budget support.

Text Table 2. Cameroon: Key Macroeconomic Assumptions, 2016–38

	2016-2019	2020	2021-2025	2026-2038
Real GDP growth (percent)				
RCF DSA Update	4.0	-1.2	4.7	5.7
DSA 2018 1/	4.0	3.8	4.6	5.6
Updated DSA 2017	4.1	4.7	5.3	5.5
Inflation (GDP deflator)				
RCF DSA Update	1.5	0.9	1.8	1.8
DSA 2018 1/	1.5	1.9	1.6	1.8
Updated DSA 2017	1.4	1.5	1.7	1.8
Primary fiscal balance (percent of GDP)				
RCF DSA Update	-2.9	-3.5	-1.2	-0.7
DSA 2018 1/	-2.9	-1.2	-0.6	-0.7
Updated DSA 2017	-3.0	-0.6	-0.7	-0.8
Total revenue excluding grants (percent of GDP)				
RCF DSA Update	15.2	13.5	14.5	15.5
DSA 2018 1/	15.2	14.8	15.0	15.5
Updated DSA 2017	14.9	15.2	15.3	15.7
Exports of goods and services (percent of GDP)				
RCF DSA Update	18.9	13.8	15.1	13.5
DSA 2018 1/	18.9	18.1	15.9	13.3
Updated DSA 2017	18.4	16.8	14.4	12.0
Oil price (US dollars per barrel)				
RCF DSA Update	56.3	35.6	42.7	46.4
DSA 2018 1/	56.4	57.9	55.0	55.3
Updated DSA 2017	58.4	65.7	61.0	60.3

Sources: Cameroonian authorities; IMF staff calculations.

1/ The year of the DSA refers to the latest year with actual data. The updated DSA 2017 refers to the DSA prepared in September 2018, while DSA 2017 was prepared in June 2018.

Text Table 3. Cameroon: Key Financing Assumptions (in CFAF billion)

	2020		2021	
	5th review	RCF request	5th review	RCF request
Total external disbursements (excl. grants)	**913**	**1351**	**793**	**1053**
Project loans	767	742	793	793
Budget support (allocated)	161	350	0	0
IMF - ECF	90	90	0	0
IMF - RCF	0	136	0	0
WB	56	56	0	0
AFDB 1/	0	53	0	0
EU (grant)	16	16	0	0
France	0	0	0	0
Budget support (unallocated)	0	274	0	260

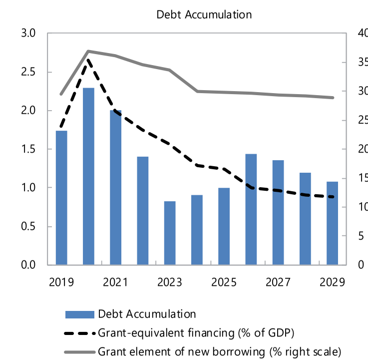
1/ budget support was delayed from 2019 to 2020

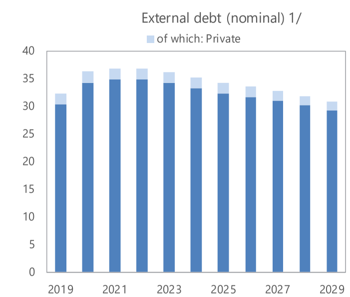
Table 1. Cameroon: External Debt Sustainability Framework, Baseline Scenario, 2016–39

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
External debt (nominal) 1/	25.4	27.7	30.5	32.3	36.3	36.8	36.8	36.1	35.1	30.8	20.1	18.0	34.2
of which: public and publicly guaranteed (PPG)	22.3	25.1	28.6	30.4	34.3	34.8	34.8	34.2	33.2	29.2	19.1	15.9	32.4
Change in external debt	1.3	2.3	2.8	1.8	3.9	0.5	0.0	-0.6	-1.0	-1.0	-1.1		
Identified net debt-creating flows	0.8	-1.3	-0.7	0.8	4.7	1.1	0.1	-0.3	-0.7	-1.7	-2.9	0.7	-0.1
Non-interest current account deficit	2.1	1.9	2.5	2.8	4.6	3.6	2.7	2.5	2.2	1.2	-1.3	2.9	2.4
Deficit in balance of goods and services	2.5	2.0	2.9	3.0	5.2	4.4	3.7	3.5	3.2	1.9	-1.2	2.9	3.2
Exports	19.2	18.7	18.9	18.7	13.8	14.9	15.3	15.3	15.1	14.0	12.5		
Imports	21.7	20.6	21.8	21.7	19.0	19.2	19.0	18.7	18.4	15.9	11.3		
Net current transfers (negative = inflow)	-1.1	-1.2	-1.2	-1.2	-1.2	-1.3	-1.3	-1.1	-1.1	-1.0	-0.8	-1.0	-1.1
of which: official	-0.2	-0.2	-0.2	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3	-0.2	-0.2		
Other current account flows (negative = net inflow)	0.7	1.1	0.8	1.0	0.5	0.5	0.3	0.2	0.1	0.3	0.7	0.9	0.3
Net FDI (negative = inflow)	-1.1	-2.3	-1.7	-1.8	-1.3	-1.9	-2.1	-2.1	-2.2	-2.0	-1.0	-2.0	-2.0
Endogenous debt dynamics 2/	-0.2	-1.0	-1.5	-0.2	1.5	-0.5	-0.5	-0.6	-0.8	-0.9	-0.6		
Contribution from nominal interest rate	1.0	0.8	1.1	0.9	1.1	1.0	1.0	1.0	0.9	0.7	0.5		
Contribution from real GDP growth	-1.1	-0.8	-1.0	-1.1	0.4	-1.5	-1.5	-1.5	-1.7	-1.7	-1.1		
Contribution from price and exchange rate changes	-0.2	-0.9	-1.6	...	...	...	...	...	...	...	...		
Residual 3/	0.6	3.6	3.5	1.1	-0.8	-0.6	-0.1	-0.4	-0.2	0.7	1.8	1.3	0.1
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	21.6	23.4	25.9	25.8	25.5	24.7	23.9	21.6	14.8		
PV of PPG external debt-to-exports ratio	...	...	114.2	124.7	187.4	173.5	166.4	161.9	158.0	154.5	118.3		
PPG debt service-to-exports ratio	12.1	14.1	17.3	21.4	26.3	20.5	20.5	21.5	18.8	14.2	12.0		
PPG debt service-to-revenue ratio	14.0	15.6	18.5	23.2	24.5	18.4	18.8	19.4	16.8	11.4	9.0		
Gross external financing need (Billion of U.S. dollars)	1.8	1.5	2.6	2.9	3.4	2.5	2.2	2.2	1.9	1.3	-0.7		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.6	3.5	4.1	3.7	-1.2	4.5	4.4	4.5	5.0	5.7	5.8	4.3	4.4
GDP deflator in US dollar terms (change in percent)	0.8	3.6	6.3	-3.6	0.4	3.4	2.3	1.9	1.8	1.8	1.9	-0.2	1.4
Effective interest rate (percent) 4/	4.5	3.2	4.5	2.9	3.4	3.1	3.0	2.8	2.6	2.5	2.6	3.4	2.7
Growth of exports of G&S (US dollar terms, in percent)	-7.1	4.4	12.3	-1.1	-26.9	16.4	9.9	6.2	6.2	6.0	6.6	1.4	3.6
Growth of imports of G&S (US dollar terms, in percent)	-9.1	2.0	16.9	-0.5	-13.1	9.3	5.3	5.1	5.1	4.3	3.8	1.7	3.0
Grant element of new public sector borrowing (in percent)	...	...	...	29.5	36.8	36.1	34.5	33.6	30.0	28.9	26.2	...	31.6
Government revenues (excluding grants, in percent of GDP)	16.6	16.9	17.7	17.3	14.9	16.5	16.7	16.9	17.0	17.3	16.6	16.7	16.9
Aid flows (in Billion of US dollars) 5/	1801.7	1981.3	2268.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.9		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.8	2.6	2.0	1.7	1.6	1.3	0.9	0.5	...	1.5
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	35.7	41.2	41.8	40.7	39.4	36.4	32.2	32.2	...	36.4
Nominal GDP (Billion of US dollars)	33	35	39	39	38	42	44	47	50	72	153		
Nominal dollar GDP growth	5.5	7.2	10.6	0.0	-0.8	8.0	6.8	6.5	7.0	7.6	7.8	4.1	5.9
Memorandum items:													
PV of external debt 7/	...	...	23.5	25.3	27.8	27.7	27.4	26.6	25.9	23.2	15.8		
In percent of exports	...	...	124.0	134.9	201.6	186.5	179.1	174.6	170.8	165.9	125.8		
Total external debt service-to-exports ratio	18.3	18.2	23.0	25.2	31.0	23.5	23.5	24.6	21.9	17.0	13.8		
PV of PPG external debt (in Billion of US dollars)			8.4	9.0	9.9	10.7	11.3	11.7	12.1	15.6	22.7		
(PVt-PVt-1)/GDPt-1 (in percent)				1.7	2.3	2.0	1.4	0.8	0.9	1.1	0.4		
Non-interest current account deficit that stabilizes debt ratio	0.8	-0.4	-0.3	0.9	0.6	3.0	2.7	3.1	3.2	2.2	-0.2		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

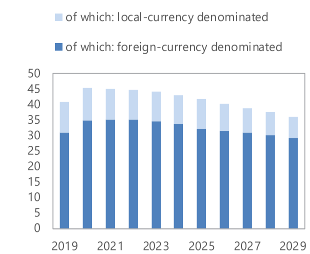
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

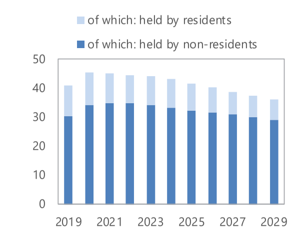
Table 2. Cameroon: Public Sector Debt Sustainability Framework, Baseline Scenario, 2016–39
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
Public sector debt 1/	33.3	37.7	39.5	40.9	45.5	45.2	44.7	44.1	43.1	36.1	25.3	24.0	41.6
of which: external debt	22.3	25.1	28.6	30.4	34.3	34.8	34.8	34.2	33.2	29.2	19.1	15.9	32.4
Change in public sector debt	1.3	4.4	1.8	1.4	4.6	-0.3	-0.5	-0.5	-1.0	-1.4	-0.9		
Identified debt-creating flows	4.8	0.8	-0.3	0.4	4.9	0.1	-0.4	-0.6	-1.0	-1.4	-0.9	1.9	-0.3
Primary deficit	5.3	4.1	1.5	1.3	3.6	1.7	1.2	1.1	0.9	0.5	0.4	2.6	1.1
Revenue and grants	16.9	17.2	18.1	17.7	15.3	16.9	17.1	17.3	17.3	17.5	16.7	17.1	17.2
of which: grants	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.1	0.1		
Primary (noninterest) expenditure	22.1	21.2	19.6	19.0	18.9	18.6	18.3	18.4	18.2	17.9	17.1	19.7	18.3
Automatic debt dynamics	-0.4	-3.3	-0.4	-1.2	1.4	-1.6	-1.6	-1.7	-1.9	-1.9	-1.2		
Contribution from interest rate/growth differential	-1.1	-1.0	-1.5	-1.2	1.4	-1.6	-1.6	-1.7	-1.9	-1.9	-1.2		
of which: contribution from average real interest rate	0.4	0.2	-0.1	0.2	0.8	0.4	0.3	0.2	0.2	0.2	0.2		
of which: contribution from real GDP growth	-1.4	-1.1	-1.5	-1.4	0.5	-2.0	-1.9	-1.9	-2.1	-2.0	-1.4		
Contribution from real exchange rate depreciation	0.6	-2.3	1.2	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	-1.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	-1.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	-3.6	3.7	2.1	1.0	-0.3	-0.4	0.0	0.0	0.0	0.0	0.0	0.9	0.0
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	33.3	34.0	36.9	36.1	35.3	34.6	33.8	28.5	21.0		
PV of public debt-to-revenue and grants ratio	...	...	184.0	192.3	240.9	213.0	206.5	200.5	195.3	162.9	125.4		
Debt service-to-revenue and grants ratio 3/	13.8	15.3	18.1	47.7	54.3	48.2	46.7	47.7	47.7	31.2	23.8		
Gross financing need 4/	8.6	7.9	5.0	10.0	11.9	9.8	9.1	9.3	9.1	5.9	4.3		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.6	3.5	4.1	3.7	-1.2	4.5	4.4	4.5	5.0	5.7	5.8	4.3	4.4
Average nominal interest rate on external debt (in percent)	3.5	3.4	3.0	2.3	2.6	2.4	2.3	2.1	1.9	1.8	2.0	2.9	2.0
Average real interest rate on domestic debt (in percent)	-1.1	-1.5	-1.6	0.7	2.7	1.9	2.2	2.5	2.5	3.0	3.4	-1.7	2.4
Real exchange rate depreciation (in percent, + indicates depreciation)	3.1	-10.6	4.8	...	...	...	...	...	...	...	...	1.8	...
Inflation rate (GDP deflator, in percent)	1.1	1.5	1.6	1.8	0.9	2.3	1.8	1.6	1.6	1.8	1.9	1.7	1.7
Growth of real primary spending (deflated by GDP deflator, in percent)	-0.1	-0.6	-4.0	0.9	-2.2	3.1	2.5	5.1	4.1	5.2	5.3	6.8	3.6
Primary deficit that stabilizes the debt-to-GDP ratio 5/	4.0	-0.4	-0.3	-0.1	-1.0	2.0	1.7	1.6	1.9	1.8	1.2	1.1	1.4
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes

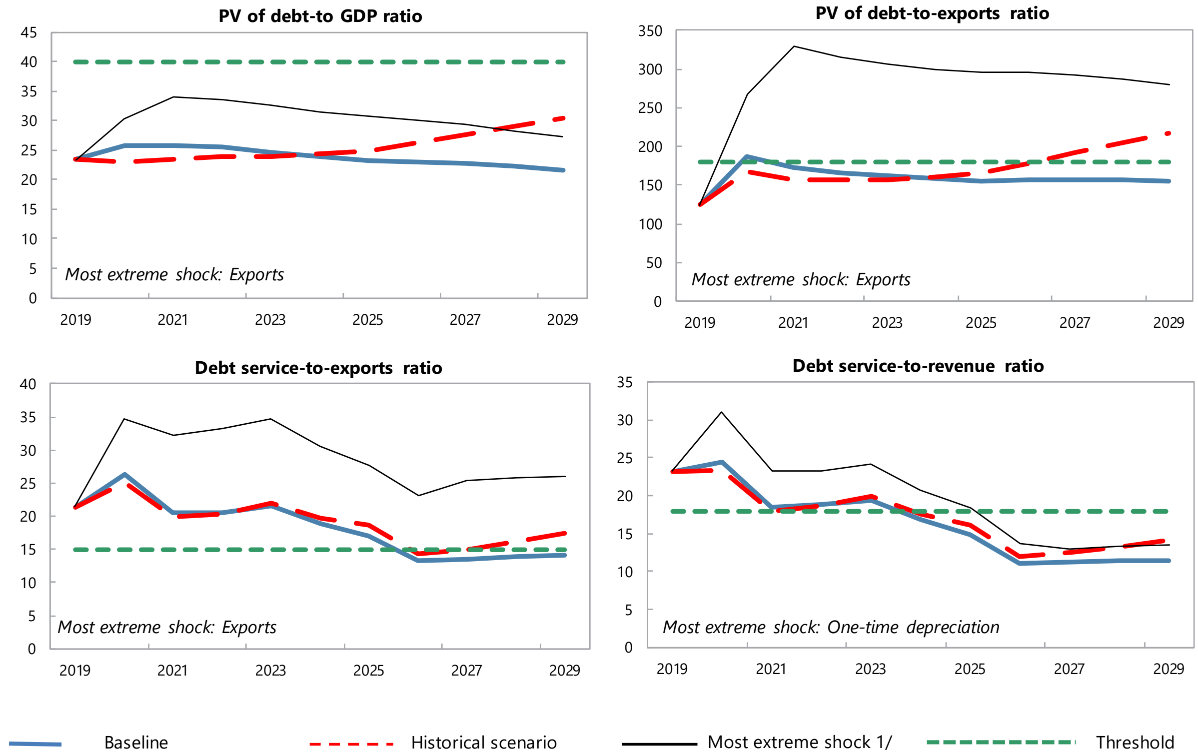
Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.
1/ Coverage of debt: The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt . Definition of external debt is Residency-based.
2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.
4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.
5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.
6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 1. Cameroon: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2019–29



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price	No	No
Market financing	No	No

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

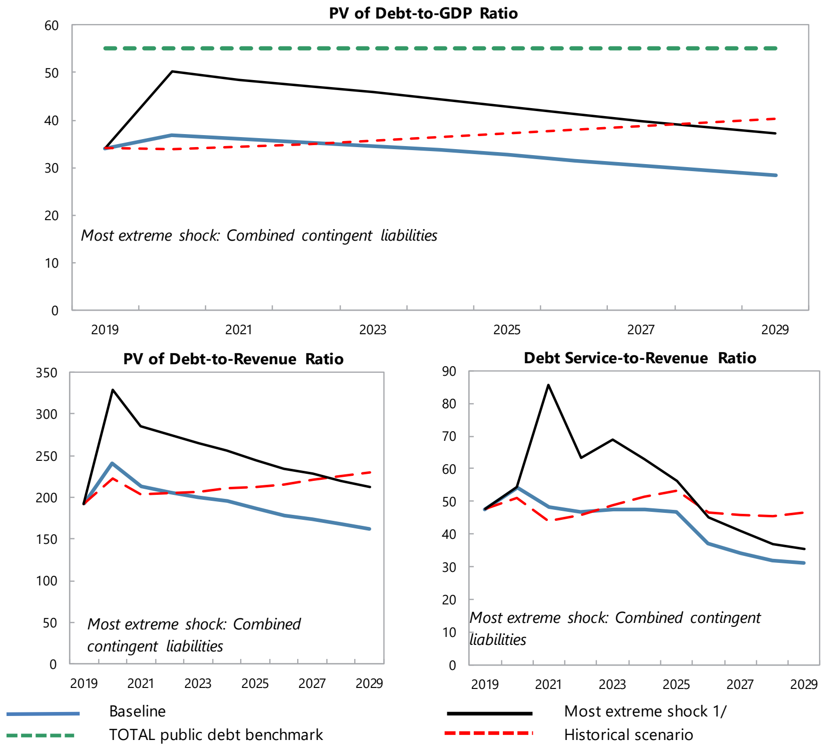
Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.9%	1.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	5	5

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 2. Cameroon: Indicators of Public Debt Under Alternative Scenarios, 2019–29



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	42%	42%
Domestic medium and long-term	17%	17%
Domestic short-term	36%	41%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.9%	1.9%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.7%	3.7%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	1.6%	1.6%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Cameroon: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2019–29

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of debt-to GDP ratio											
Baseline	23	26	26	25	25	24	23	23	23	22	22
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	23	23	23	24	24	24	25	26	28	29	30
B. Bound Tests											
B1. Real GDP growth	23	26	27	26	26	25	24	24	23	23	22
B2. Primary balance	23	26	28	28	27	26	26	25	25	24	24
B3. Exports	23	30	34	33	33	32	31	30	29	28	27
B4. Other flows 3/	23	27	27	27	26	25	24	24	24	23	22
B5. Depreciation	23	33	30	29	29	28	27	27	26	26	25
B6. Combination of B1-B5	23	30	30	29	28	28	27	26	26	25	25
C. Tailored Tests											
C1. Combined contingent liabilities	23	30	32	32	32	32	31	31	31	30	30
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	23	27	28	28	28	27	26	25	25	24	23
C4. Market Financing	23	29	29	29	28	27	26	26	25	25	24
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	125	**187**	173	166	162	158	155	157	157	156	155
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	125	167	157	156	157	161	166	179	**192**	**205**	**217**
B. Bound Tests											
B1. Real GDP growth	125	**187**	173	166	162	158	155	157	157	156	155
B2. Primary balance	125	**191**	**187**	**181**	177	174	172	173	173	172	170
B3. Exports	125	**268**	**329**	**315**	**307**	**300**	**295**	**295**	**292**	**287**	**280**
B4. Other flows 3/	125	**192**	**182**	175	170	166	163	164	164	163	161
B5. Depreciation	125	**187**	159	152	148	144	142	143	145	145	144
B6. Combination of B1-B5	125	**227**	179	**211**	**205**	**200**	**197**	**198**	**198**	**196**	**194**
C. Tailored Tests											
C1. Combined contingent liabilities	125	**220**	**215**	**211**	**212**	**211**	**210**	**213**	**214**	**213**	**211**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	125	**215**	**204**	**195**	**188**	**181**	176	176	174	172	169
C4. Market Financing	125	**188**	174	168	163	159	156	157	157	156	155
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	**21**	**26**	**20**	**20**	**22**	**19**	**17**	13	13	14	14
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**21**	**25**	**20**	**20**	**22**	**20**	**19**	14	15	**16**	**17**
B. Bound Tests											
B1. Real GDP growth	**21**	**26**	**20**	**20**	**22**	**19**	**17**	13	13	14	14
B2. Primary balance	**21**	**26**	**21**	**21**	**22**	**19**	**18**	14	15	**15**	**15**
B3. Exports	**21**	**35**	**32**	**33**	**35**	**30**	**28**	**23**	**25**	**26**	**26**
B4. Other flows 3/	**21**	**26**	**21**	**21**	**22**	**19**	**17**	14	14	15	15
B5. Depreciation	**21**	**26**	**20**	**20**	**21**	**18**	**17**	13	12	13	13
B6. Combination of B1-B5	**21**	**30**	**25**	**25**	**27**	**23**	**21**	**17**	**17**	**18**	**18**
C. Tailored Tests											
C1. Combined contingent liabilities	**21**	**26**	**21**	**21**	**23**	**20**	**18**	15	15	**15**	**15**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**21**	**29**	**23**	**23**	**24**	**21**	**19**	15	**15**	**16**	**16**
C4. Market Financing	**21**	**26**	**21**	**21**	**22**	**20**	**19**	14	14	13	14
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	**23**	**24**	**18**	**19**	**19**	17	15	11	11	11	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**23**	**23**	18	**19**	**20**	18	16	12	12	13	14
B. Bound Tests											
B1. Real GDP growth	**23**	**25**	**19**	**19**	**20**	17	15	12	12	12	12
B2. Primary balance	**23**	**24**	**19**	**19**	**20**	17	15	12	12	12	12
B3. Exports	**23**	**26**	**20**	**21**	**22**	**19**	17	13	15	15	15
B4. Other flows 3/	**23**	**24**	**19**	**19**	**20**	17	15	11	12	12	12
B5. Depreciation	**23**	**31**	**23**	**23**	**24**	**21**	**18**	14	13	13	13
B6. Combination of B1-B5	**23**	**27**	**21**	**21**	**22**	**19**	17	13	13	13	13
C. Tailored Tests											
C1. Combined contingent liabilities	**23**	**24**	**19**	**20**	**20**	18	16	12	12	12	12
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**23**	**29**	**22**	**22**	**23**	**19**	16	12	13	13	13
C4. Market Financing	**23**	**24**	**19**	**19**	**20**	18	16	12	11	11	11
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Cameroon: Sensitivity Analysis for Key Indicators of Public Debt, 2019–29

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of Debt-to-GDP Ratio											
Baseline	34	37	36	35	35	34	33	32	30	29	28
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	34	34	34	35	36	36	37	38	39	39	40
B. Bound Tests											
B1. Real GDP growth	34	38	38	38	38	37	36	36	35	34	34
B2. Primary balance	34	38	40	39	38	37	36	35	33	32	31
B3. Exports	34	39	42	41	40	39	38	37	35	34	32
B4. Other flows 3/	34	38	37	37	36	35	34	33	31	30	29
B5. Depreciation	34	42	39	37	35	32	30	28	26	24	22
B6. Combination of B1-B5	34	36	37	35	34	33	31	30	28	27	26
C. Tailored Tests											
C1. Combined contingent liabilities	34	50	48	47	46	44	43	41	40	38	37
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	34	39	41	43	45	45	45	44	43	41	40
C4. Market Financing	34	37	36	35	35	34	33	32	30	29	28
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	192	241	213	207	200	195	187	179	174	169	163
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	192	222	204	205	206	210	213	215	221	225	230
B. Bound Tests											
B1. Real GDP growth	192	247	225	221	218	215	208	202	200	196	192
B2. Primary balance	192	251	235	227	220	214	204	196	190	184	178
B3. Exports	192	256	248	240	233	227	217	207	200	192	184
B4. Other flows 3/	192	245	221	214	208	202	193	185	180	174	168
B5. Depreciation	192	276	233	216	201	188	172	158	148	137	127
B6. Combination of B1-B5	192	237	216	206	197	189	178	169	162	155	148
C. Tailored Tests											
C1. Combined contingent liabilities	192	329	286	275	265	257	245	234	228	220	213
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	192	293	276	287	283	277	263	248	243	237	231
C4. Market Financing	192	241	214	208	202	196	187	179	174	168	163
Debt Service-to-Revenue Ratio											
Baseline	48	54	48	47	48	48	47	37	34	32	31
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	48	51	44	46	49	51	53	47	46	46	47
B. Bound Tests											
B1. Real GDP growth	48	55	51	50	52	53	52	42	40	38	38
B2. Primary balance	48	54	53	54	53	53	50	40	37	35	34
B3. Exports	48	54	49	48	49	48	47	38	37	34	33
B4. Other flows 3/	48	54	48	47	48	48	47	37	35	32	32
B5. Depreciation	48	55	52	50	51	50	49	38	36	33	33
B6. Combination of B1-B5	48	52	47	53	52	51	48	37	34	32	31
C. Tailored Tests											
C1. Combined contingent liabilities	48	54	86	63	69	63	56	45	41	37	36
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	48	63	61	65	68	69	66	53	49	45	44
C4. Market Financing	48	54	48	47	48	49	48	38	34	31	31

Sources: Country authorities; and staff estimates and projections.

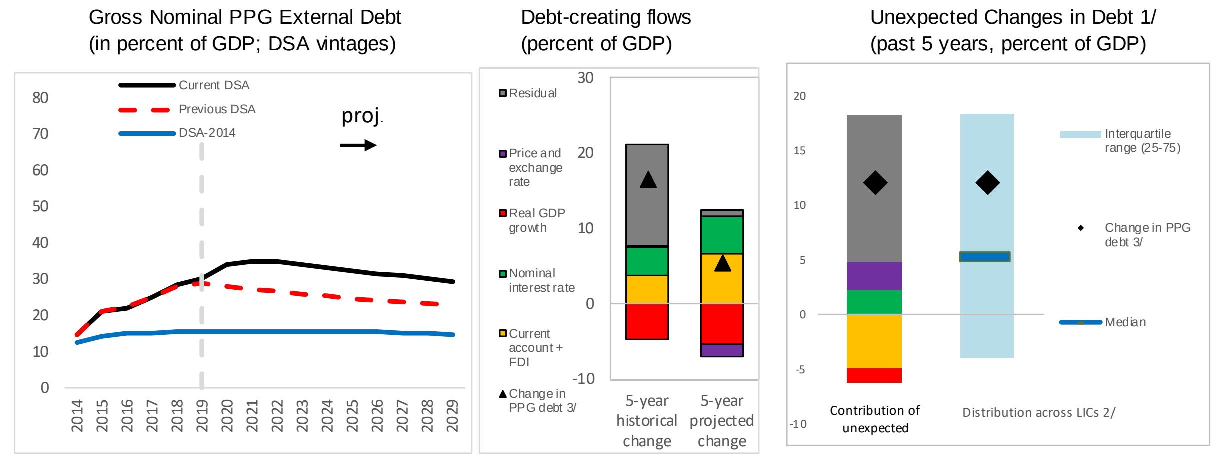
1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

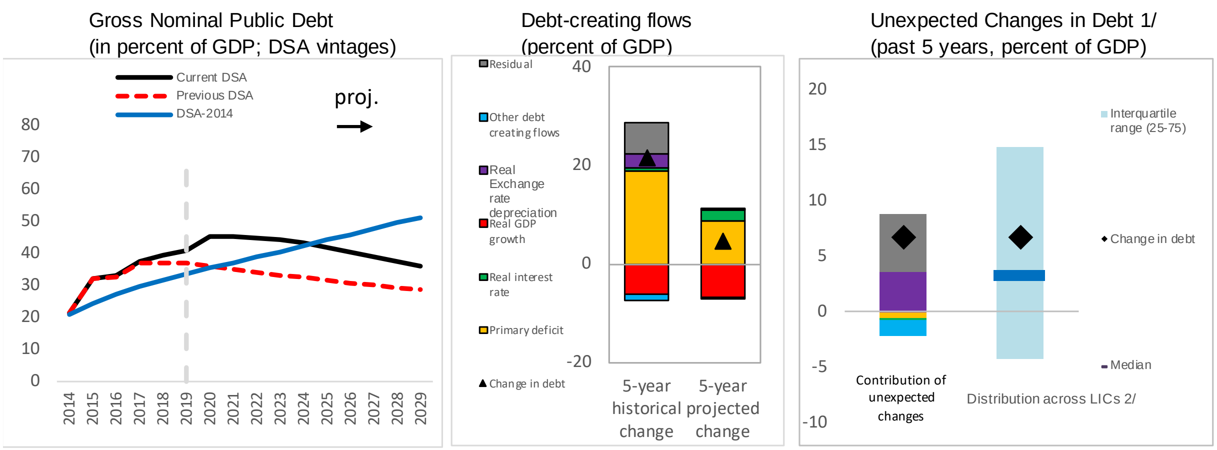
3/ Includes official and private transfers and FDI.

Figure 3. Cameroon: Drivers of Debt Dynamics – Baseline Scenario

External Debt



Public debt



1/ Difference between anticipated and actual contributions on debt ratios.

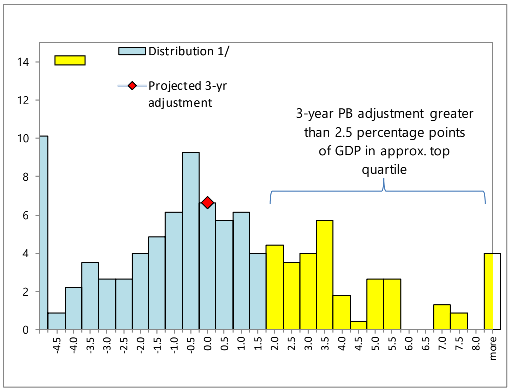
2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Sources: Cameroonian authorities; and IMF staff estimates and projections.

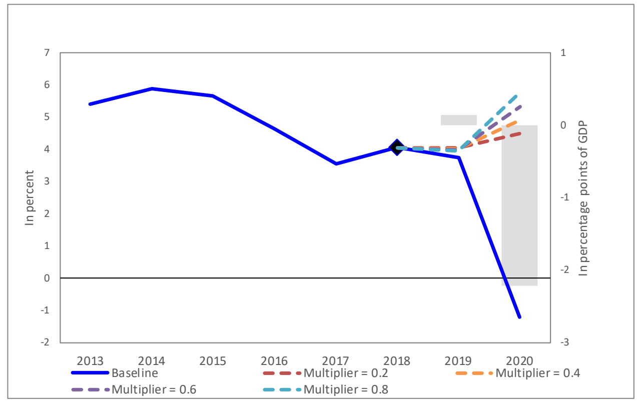
Figure 4. Cameroon: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



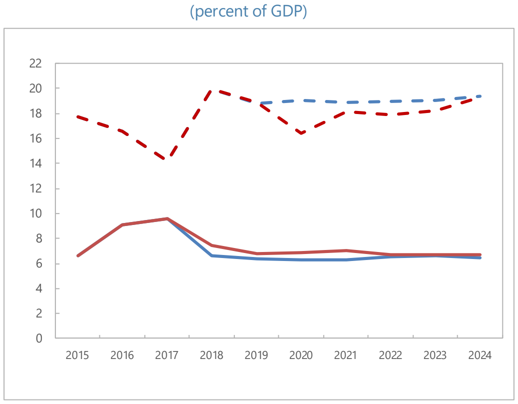
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

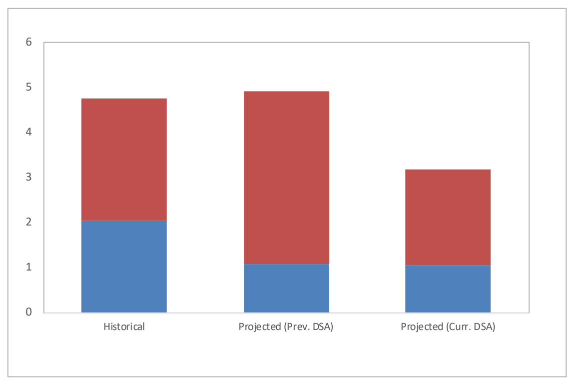


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

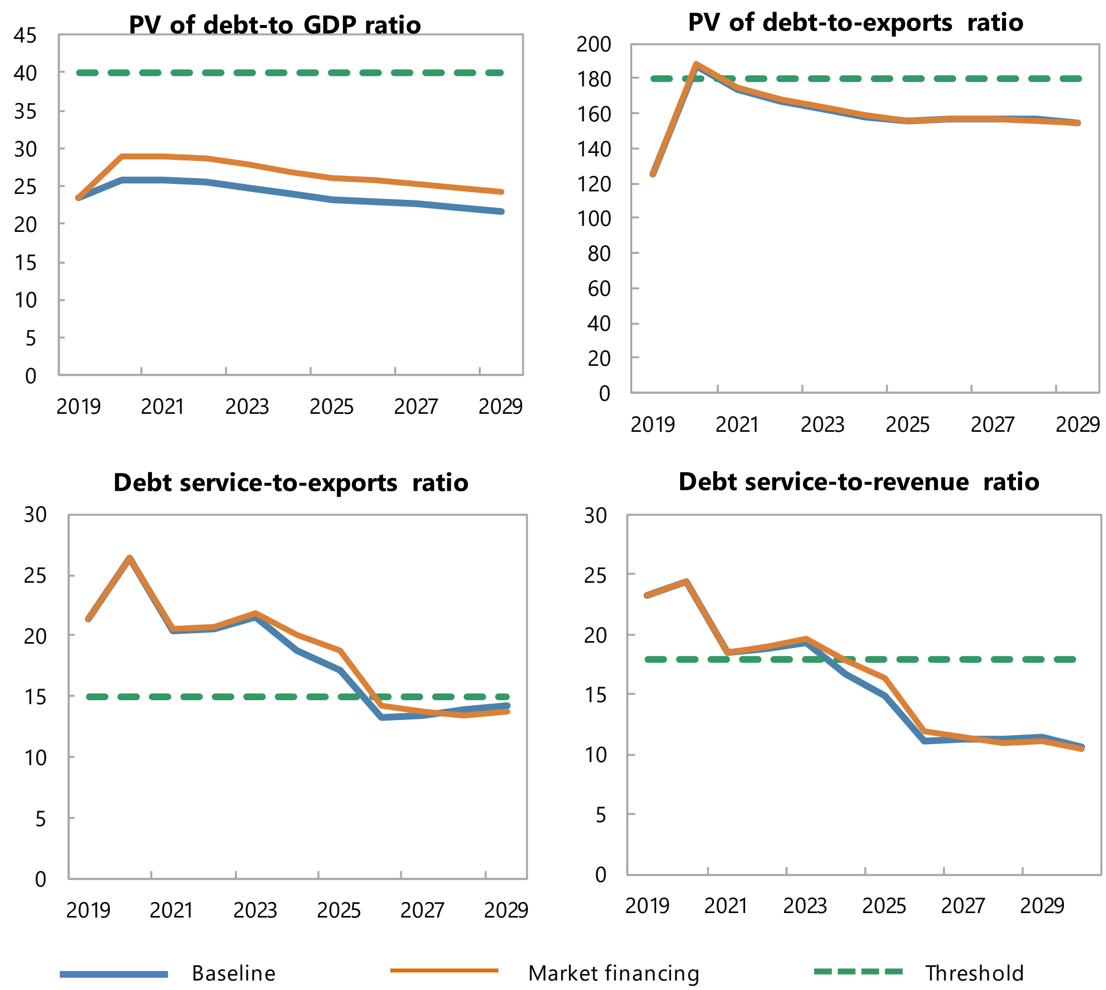


Sources: Cameroonian authorities; and IMF staff estimates and projections.

Figure 5. Cameroon: Market-Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	12	1174
Breach of benchmark	No	Yes
Potential heightened liquidity needs	Moderate	

1/ Maximum gross financing needs (GFN) over 3-year baseline projection horizon.
2/ EMBI spreads correspond to the latest available data.



Sources: Country authorities; and staff estimates and projections.