

**EXECUTIVE
BOARD
MEETING**

EBS/20/154
Supplement 1

October 20, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Cameroon—Request for Disbursement Under the Rapid Credit Facility—
Supplementary Information, Revised Proposed Decision, and Revised Letter
of Intent**

Board Action:	Executive Directors' consideration (Formal)
Tentative Board Date:	Wednesday, October 21, 2020
Proposed Decision:	Page 2
Publication:	Yes*
Questions:	Mr. Sy, AFR (ext. 38651) Mr. Benlamine, AFR (ext. 38800)
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

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—SUPPLEMENTARY INFORMATION, REVISED PROPOSED DECISION AND REVISED LETTER OF INTENT

October 20, 2020

Approved By
David Owen (AFR)
and **Delia Velculescu**
(SPR)

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

1. This supplement revises the prior action on the publication of all COVID-19 related contracts. The prior action on the publication of the backlog of all COVID-19 related contracts is being revised to clarify that the publication relates to the *results* of all said contracts awarded since May 4, 2020. This revision is in line with the authorities' letter of intent for the Requests for Disbursement Under The Rapid Credit Facility, Extension of The Extended Credit Facility Arrangement, and Rephrasing of Access (IMF Country Report No 20/185), in which they committed to "*publishing documents relating to the results of public procurement awarded by the government and the beneficial ownership of companies receiving procurement contracts on COVID-19 related expenditures.*" 18, page 21.

2. A revised proposed decision and revised letter of intent are attached to this supplement.

Revised Letter of Intent

October 19, 2020

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

Subject: Letter of Intent for access to the Rapid Credit Facility

Dear Madam Managing Director,

1. The Cameroonian authorities are grateful to the International Monetary Fund (IMF) for its continued support under the Extended Credit Facility (ECF) arrangement and, more recently, under the Rapid Credit Facility (RCF) approved by the IMF Executive Board on May 4, 2020. Early IMF emergency assistance was essential in catalyzing donor support and in providing needed resources for health and economic relief to address the negative impact of the COVID-19 pandemic.
2. As explained in our Letter of Intent of April 28, 2020, the COVID-19 pandemic is causing a significant impact on Cameroon's economy, potentially reducing hard-won macroeconomic gains from the economic and financial program supported by the Extended Credit Facility (ECF) and endangering our development agenda. During this year 2020, the Cameroonian economy had to face two shocks, first on supply, with the breakdown of supply and logistics chains, but also on demand, with the reduction of domestic and international demand, due to the containment measures adopted by our main trading partners (China and Europe). In addition to the drop in private transfers from abroad (including remittances from migrants), the closure of our land and air borders has led to the cancellation of several major national and international events previously scheduled and the decrease in tourism. The negative effects of this pandemic came on the back of the negative impact of the security crisis in the regions of the North-West and South-West, the fight against the terrorist sect Boko Haram in the extreme north region, and the suspension, since the fire that occurred at end-May 2019, of SONARA's production activities.
3. The need to contain the spread of the COVID-19 pandemic has led the Cameroonian authorities to substantially scale up public health care spending and to adopt a series of measures including restricting domestic movement of people and goods, closing schools, bar and restaurants, prohibiting large gatherings of people, and reducing working hours for certain sectors. These measures, in addition to the loss of income by households due to job losses and bank credit retrenchment following the increase in non-performing loans, have contributed to slowing

economic growth more than initially anticipated. Our projections indicate that real GDP growth could decline from 3.9 percent in 2019 to -2.8 percent in 2020 — down from -1.2 percent projected at the time of the RCF approved in May 2020 and that government revenue would drop by 0.7 percentage points of GDP more than previously estimated.

4. Because of the stronger than initially anticipated impact of the cessation of refining activities on government revenues, the urgency to faster pay off part of domestic arrears, the slowdown of structural reforms during the period of the COVID-19 pandemic, and technical difficulties to conduct the 6th review in a timely manner, we have opted to let the ECF arrangement expire at the end of September 2020.

5. To preserve fiscal discipline, our Parliament has adopted an amended 2020 Budget Law in June 2020, which takes into account the impact of the COVID-19 pandemic on government revenue, reprioritize current and capital spending by reducing non-essential ones, and includes the funding of the emergency response to the health crisis and support to most affected businesses and households. The amended 2020 budget keeps the overall fiscal balance in percent of GDP at the level set in the May 2020 RCF (5 percent). For its financing, we have benefited from financial support from other development partners of Cameroon, including the World Bank, the African Development Bank (AfDB), the European Union (EU), and the French Development Agency (AFD), as well as from the G-20 debt service suspension initiative (DSSI).

6. In conjunction with the strict contingency measures being implemented to contain and mitigate the spread of the COVID-19 pandemic, we have prepared and adopted a three-year resilience and socio-economic support strategy for 2020-22, estimated to cost US\$825 million (2 percent of GDP), of which about US\$320 million for 2020. This strategy includes five pillars, namely: (i) health response to prevent the spread of the pandemic and take care of infected persons; (ii) mitigation of economic and financial repercussions of the pandemic by measures to support affected sectors; (iii) supply of essential products; (iv) Research and innovation for the development of endogenous solutions to the crisis, and (v) social resilience to alleviate the repercussions of the COVID-19 pandemic on vulnerable people and households. We also set up a special allocation account entitled “Special Fund for National Solidarity in the Fight Against the Coronavirus and its Socio-Economic Impact” to allow better accounting monitoring and transparent management of the resources of this Fund in accordance with the transparency provisions as well as the budgetary procedures and controls provided for by the laws of 11 July 2018 on the financial regime of the State and other public entities on one hand, and Code of transparency and, on the other hand, good governance in the management of public finances in Cameroon.

7. Our trade partners’ slow economic recovery, the stronger than anticipated decline in our economic activity, and some of the measures we took to limit the spread of the pandemic are expected to widen our current account deficit by 0.3 percentage points of GDP in 2020, from our previous RCF projections. This rise in current account deficit, together with continuing decline in non-official capital inflows, will generate an external financing gap estimated at 4.1 percent of GDP in 2020.

8. Against this background, and in the face of the additional urgent fiscal and balance of payments needs, the government of Cameroon requests an additional emergency financing from the IMF under the Rapid Credit Facility (RCF) in the amount of SDR110.4 million, equivalent to 40 percent of our quota, to ease the pressure on our fiscal revenues and official foreign reserves. That said, we welcome the quality of cooperation with the IMF and reiterate our interest on discussing the terms of a new arrangement underpinning a second generation program, which will aim to achieve higher and more inclusive growth, in accordance with the resolution of Central Africa Heads of State, and to the orientations of the Economic and Financial Reforms Program of CEMAC.

9. We reiterate our firm commitment to an effective and transparent use of public funds, and to ensuring that funds received, including from the RCF disbursement and the resources freed up by the DSSI, are efficiently spent on addressing the pandemic crisis. To this end, we are committed in the context of contracts related to COVID-19 to (i) issuing before the RCF-2 Board date a circular implementing Article 90 of the Public Procurement Code to modify the standard procurement forms, in particular with regard to documents providing information on the identification of the beneficial ownership of companies receiving procurement contracts; (ii) publishing after the RCF-2 Board date on the website of the Public Procurement Regulatory Agency and within 30 days of the award on any contract, the results of public procurement awarded by the government and the beneficial ownership of companies receiving procurement contracts; (iii) publishing before the RCF-2 Board date, the backlog of the results of all COVID-19 related contracts awarded since May 4, 2020, including the beneficial ownership; (iv) issuing a semi-annual report on COVID-19 related spending; and (v) commissioning an independent audit of this spending at the end of the 2020 fiscal year and publishing the results. Moreover, given that the risk of debt distress for Cameroon remains high, debt management will be strengthened, and our external borrowing strategy will continue to rely on concessional loans, in line with our commitment under the G-20 DSSI.

10. The Cameroon government will continue to maintain a constructive dialogue with the IMF and will provide the Fund staff with all the data and information necessary to evaluate our policies, including those taken under the access to the RCF. We agree to cooperate with the IMF in relation to any update safeguards assessment of the BEAC to be carried out by the IMF. We also reiterate our intention not to introduce or intensify exchange and trade restrictions and other measures that would compound Balance of payments difficulties. We further authorize the IMF to publish this Letter and the staff report for the request for disbursement under the RCF.

Sincerely yours,

/s/

Louis Paul Motaze
Minister of Finance

Table 1. Cameroon: Prior Actions for RCF-2, 2020

Measure
To issue before the RCF-2 Board date a circular implementing Article 90 of the Public Procurement Code, to modify the standard procurement forms in particular with regard to documents providing information on the identification of the beneficial ownership of companies receiving procurement contracts related to COVID-19.
To publish before the RCF-2 Board date the backlog of the results of all COVID-19 related contracts awarded since May 4, 2020, including the beneficial ownership.