INTERNATIONAL MONETARY FUND

CAMEROON

January 16, 2024

REQUEST FOR AN ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY

EXECUTIVE SUMMARY

Context. Climate change presents substantial risks for Cameroon. In addition to being the largest CEMAC economy with ample economic potential and abundant natural resources, Cameroon covers large areas of the Congo Basin rainforest, the second largest in the world. At the same time, the country is a fragile and conflict affected state (FCS), with a range of fragilities, including a high vulnerability to climate change. Climate risks are intensifying in Cameroon, with temperatures progressively rising, and a projected increase in days with heavy precipitation and higher frequency of extreme weather events, such as droughts, landslides, and floods. Climate change poses an imminent threat to livelihoods and could result in significant output losses, while worsening food insecurity and conflicts, and exacerbating poverty, inequality, and population displacements. This underscores the need to strengthen the country's preparedness and resilience to ensure that climate change impact does not jeopardize human capital accumulation or inclusive growth.

ECF/EFF. The three-year upper credit tranche (UCT) arrangements under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) approved in July 2021 remain on track. The Fifth Reviews were completed by the Executive Board on December 20, 2023, together with an extension to July 28, 2025 to allow more time to implement the policies and reforms foreseen under the program. The ECF-EFF arrangements amount to SDR (Special Drawing Rights) 593.4 million (about US$792 million, or 215 percent of quota).

RSF. While an arrangement under the RSF is normally approved concurrently with the UCT review, the standalone RSF request allowed time to further strengthen proposed reform measures (RMs), providing the necessary policy safeguards for RSF financing. With the proposed access level set at 50 percent of quota (equivalent to SDR 138 million), the proposed RSF arrangement will support Cameroon's efforts to adapt to and mitigate climate change, improve its medium-term climate policy stance, and replace more expensive financing. The proposed RSF and its access level are seen as a start to climate-related reforms. Additional reforms may justify additional access in the future, whether through an augmentation of this RSF or a future RSF (under a future UCT arrangement), in line with reform strength and other requirements. The proposed

access level is justified by the strength and breadth of the proposed RMs for an 18-month RSF and Cameroon's capacity to repay the Fund. The comprehensive reform package is centered around addressing structural reform challenges in four main areas: (i) strengthening the climate governance framework and coordination, (ii) mainstreaming the climate agenda into the PFM processes, (iii) enhancing adaptation efforts, and (iv) supporting mitigation efforts. The RMs were developed in close collaboration with other international financial institutions (IFIs), including the World Bank and bilateral donors. The RSF is expected to catalyze additional climate finance. The RSF will provide timely support for the climate reform momentum ahead of the 2025 elections and sustain the growing engagement with multiple stakeholders and donors on complementary actions.

Approved By
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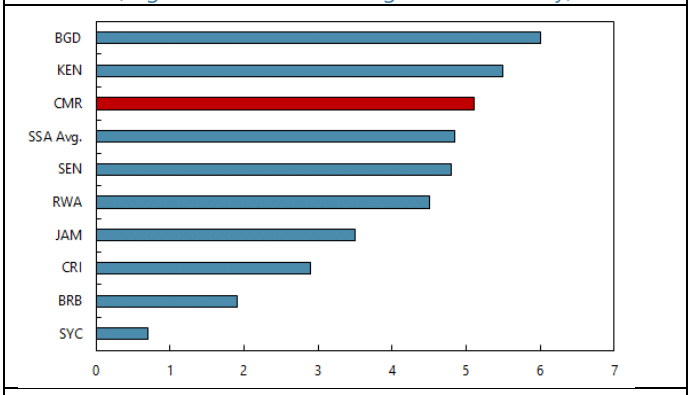
RECENT ECONOMIC DEVELOPMENTS, OUTLOOK, RISKS AND PROGRAM PERFORMANCE

A. Context

1. Cameroon is among the most vulnerable countries to climate change in sub-Saharan Africa (SSA) and globally (Text Figure 1).[1] Climate change poses a threat to Cameroon's development and exacerbates fragility. The country is increasingly exposed to climate-related extreme events such as droughts and floods, which affect its agriculture—a key economic and export sector employing about 70 percent of the population. Climate-related natural disasters deteriorate Cameroon's road infrastructure, with only 11 percent of roads assessed to be in good condition according to the World Bank Country Climate and Development Reports (CCDR). Heat-related stress weakens health, lowers labor productivity, and thus, incomes. The poor and women are among the most vulnerable to such shocks, which further exacerbates poverty and inequality. Climate change limits access to natural resources, such as water, and causes floods. It also increases the risk of internal conflict, with large population displacements. As of March 2023, more than one million people have been displaced, and in the Extreme North region over 60 percent of recent displacement were caused by floods (see Annex I). Cameroon's climatic zones are expected to be affected differently by climate change, with the northern regions of Cameroon being especially vulnerable to climate change and exposed to droughts and desertification.[2]

Text Figure 1. Climate Change Vulnerability Index Cameroon vs. Selected RSF Recipients

(Higher value indicates higher vulnerability)



Source: Climate-driven INFORM Risk Indicator, 2022

Note: The Climate-driven INFORM Risk Indicator includes three subcomponents for components of risk: vulnerability, lack of coping capacity, hazards, and exposures. The figure shows the vulnerability subcomponent.

2. Climate change is one of the key challenges identified in Cameroon's national development strategy (SND-30). The strategy identifies adaptation and mitigation to climate change as critical for achieving sustainable and inclusive growth. In this regard, the authorities plan

[1] Based on the 2022 Climate-driven INFORM Risk Index, derived from the European Union's INFORM Risk Index, and adjusted by IMF staff to focus on climate risks. The index and its three subcomponents (coping capacity, hazards & exposure, and vulnerability) include ratings from 0 to 10, with larger numbers indicating higher risks. The vulnerability dimension represents the community's economic, political, and social characteristics that can be destabilized in case of a hazardous event. Cameroon's 2024 vulnerability index is the 16th largest globally. For the complete INFORM Risk Indicator, Cameroon ranks 39th globally (for methodological details see Marin Ferrer M, Vernaccini L and Poljansek K. INFORM Index for Risk Management: Concept and Methodology, Version 2017. EUR 28655 EN. Luxembourg: Publications Office of the European Union; 2017. JRC106949).

[2] World Bank CCDR, 2022, and Annex I.

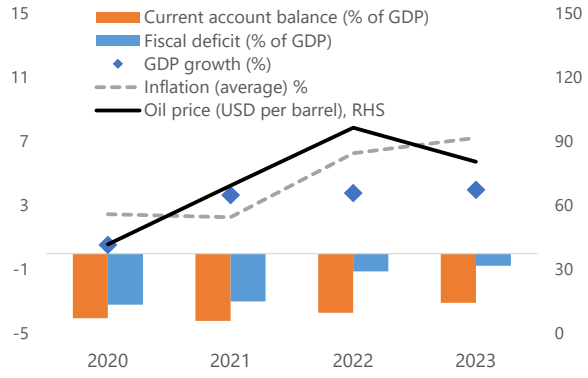
to: (i) strengthen actions relating to sustainable management of natural resources; and (ii) take adequate measures to adapt to and mitigate the effects of climate change. In addition, to address the consequences of climate change, including floods and landslides in some cities and rural areas, the government aims to: (i) ensure that climate change concerns are taken into account in sectoral strategies and policies, in both their formulation and implementation; (ii) build the capacity of institutions responsible for climate surveillance; (iii) operationalize the systems for monitoring, preventing, and responding to the effects of climate change; and (iv) develop and implement a national waste management strategy while promoting corporate social responsibility. The Growth and Employment Strategy Paper, Vision 2035, the precursor to SND-30, also recognized the importance of climate change and its economic and social impact.

3. Against this background, the authorities are requesting an arrangement under the RSF to help address climate vulnerabilities. The RSF arrangement will help the authorities build policy buffers and replace more expensive financing. It will also help catalyze financing for climate and sustainable development. The arrangement would coincide with the remaining 18 months under the current ECF-EFF arrangement approved on July 29, 2021, which has been extended by 12-months (from July 28, 2024, to July 28, 2025), along with an augmentation of access of 40 percent of quota over the extension for balance of payments support.

B. Recent Economic Developments

4. Recent economic developments are reflected in the staff report for the fifth review of ECF-EFF approved by the Board on December 20, 2023 (EBS/23/149, December 8, 2023). In summary, Cameroon's growth recovery continued in 2023, despite strong external headwinds (Text Figure 2). Inflation remains relatively high and is projected to reach 7.2 percent on average in 2023 and decline thereafter. The current account deficit is projected to narrow in 2023 while Cameroon's fiscal outcomes have improved driven by higher global oil prices and economic recovery. Financial sector development is hindered by fragilities in the banking system.

Text Figure 2. Selected Economic Indicators, 2020-23



Source: Country authorities, staff projections

5. The 2022 safeguards assessment found that the BEAC maintained strong governance arrangements. A recent safeguards monitoring mission followed up on the implementation of the remaining 2022 safeguards recommendations and on an external quality assessment of internal audit.

C. Outlook and Risks

6. Macroeconomic conditions are expected to improve gradually provided reforms are sustained and the external environment becomes more supportive. The medium-term macroeconomic outlook should remain broadly in line with the Fifth Review staff report, with real GDP growth expected to average 4.4 percent in the medium term, and inflation declining to below 3 percent by end 2027. The public debt-to-GDP ratio is expected to remain below 45 percent. Near-term downside risks include spillovers from regional and global developments, a possible intensification of domestic social tensions, which could escalate in the run-up to the elections, and more intense climate-related disasters.

D. Program Performance Under the ECF-EFF Arrangements

7. The program supported by the ECF-EFF arrangements remains on track. The Board completed the Fifth Reviews on December 20, 2023, and while data are not yet available to assess end-December 2023 PCs, based on the available information, staff assesses that the program remains on track thanks to corrective actions and progress in reform implementation. The macro framework is broadly unchanged since the Fifth Reviews. The main change is the postponement of the debt management operation totaling CFAF 200 billion to clear domestic unpaid government obligations from 2023Q4 to 2024Q1. This postponement does not affect the assessment of program performance.

MAIN CHALLENGES AND POLICY ISSUES

The priority climate policy areas focus on four pillars: (i) strengthening the climate governance framework and coordination, (ii) mainstreaming the climate agenda into the PFM processes, (iii) enhancing adaptation efforts, and (iv) supporting mitigation efforts (Annex I and Table 10). The analysis of challenges and identified reform measures draws on the World Bank CCDR (2022), Climate Change Institutional Assessment (CCIA, 2021); Public Expenditure and Financial Accountability (PEFA, 2023); Public Investment Management Assessment (PIMA, 2016); and PIMA follow-up (2020). In this regard, RSF reforms will also complement governance efforts in the context of the ECF-EFF arrangements.

A. Pillar 1. Strengthening Climate Governance Framework and Coordination

8. Cameroon has taken important steps towards building its climate-related institutional framework, but important challenges remain. The key climate change policy documents are the National Climate Change Adaptation Plan 2015–19 and the Nationally Determined Contribution (NDC) updated in 2021. Although several regional and municipal governments have adopted local Climate Change Action Plans (CCAP), there is no national implementation strategy or Climate Action Plan that outlines how Cameroon intends to meet its adaptation objectives or mitigation targets.

Cameroon's NDC institutional mechanism gives a leading role to the Ministry of Environment, Nature Protection and Sustainable Development (MINEPDED) and the National Observatory on Climate Change (ONACC). However, this leading role has not been formally defined in the climate-related institutional framework. Furthermore, MINEPDED faces resource and capacity constraints to coordinate the country's climate agenda. Given the cross-cutting issues related to climate governance, there is also insufficient coordination between ministries and other governmental agencies concerned. To strengthen MINEPDED and improve coordination, staff and the authorities have agreed on reform measure RM1.

- **RM1.** Issue a regulatory act that: (i) defines the central role of the MINEPDED as the key authority responsible for the coordination of the climate agenda supported by the Ministry of Economy, Planning, and Land Planning (MINEPAT) and the Ministry of Finance (MINFI); and (ii) defines the roles and responsibilities of other sector ministries and public agencies in implementing the climate agenda.

9. The authorities also face challenges in prioritizing and implementing policies. A National Climate Plan (NCP) would help strengthen climate governance to achieve adaptation and mitigation goals identified in the NDC and other strategies. RM2 would guide national climate policies and support their effective implementation, building on RM1 in identifying the roles and responsibilities of sector ministries and other public agencies in implementing the climate agenda. The NCP will be jointly developed by the sectoral ministries and agencies and coordinated by MINEPDED.

- **RM2.** Develop and adopt an NCP validated by the Prime Minister, in line with the 2021 NDC, that (i) states key climate actions, targets, policies, and measures by the government to address adaptation and mitigation challenges; and (ii) defines roles and responsibilities of sector ministries and public agencies in implementing the NCP. The NCP to be published on the MINEPDED website.

10. Financing adaptation and mitigation needs is an important challenge for Cameroon. The NDC suggests that such needs are significant, estimated at US$32 billion for adaptation and US$26 billion for mitigation projects. The NCP will help guide the considerations for climate finance plan, financing sources, and priority projects.

B. Pillar 2. Mainstreaming the Climate Agenda into Public Financial Management Processes

11. Climate change considerations are not well integrated into Cameroon's PFM framework. Climate-sensitive public investment management (PIM) and green public financial management (PFM) processes are at a nascent stage. There are signs of increasing awareness across government institutions, and initiatives are underway. With the World Bank's support, the authorities are developing a road map for both the integration of climate considerations into the PIM system and the adoption of climate budget tagging. According to the 2023 Climate-PEFA, progress has been made in the development of a climate change policy framework, the alignment between the

budget and the climate policy architecture and the budget call circular includes references to climate change, requiring ministries to highlight climate-related priorities and outcomes in their budget submissions. Since the 2016 PIMA and the 2020 PIMA follow-up, progress has been made in some key areas of public investment management practices, though these improvements did not mainstream climate into the PIM system.

12. The 2018 decree nº 4992 details the rules governing the project maturation process. This decree is a key step forward in increasing the rigor in project preparation. Furthermore, the 2013 decree nº 7987 on the creation, organization, and functioning of the Monitoring Committees for the Physical and Financial Execution of Public Investment defines an institutional framework and procedures for investment project monitoring. The existing framework however does not introduce climate considerations into the legal provision and to date ministries, departments, and agencies (MDAs) have not always conducted the required project feasibility analysis. Consequently, projects—that are not mature and climate resilient—are included in the public investment plan (PIP), with ensuing challenges and delays during implementation. In addition, the project appraisal process, while reinforced since 2020, with the adoption of appraisal guidelines and the inclusion of the environmental 'visa', still lacks climate-related analysis. The project selection criteria do not follow a multi-criteria assessment (MCA) methodology, nor do they include climate project criteria. To complement the PIM framework and make it greener and more resilient, the RSF will support the following reform measures (RM3, RM4, and RM5):

- **RM3:** MINEPAT, in collaboration with the other ministries concerned, will define, and publish the criteria for prioritization and selection of projects integrating climate change-related criteria and develop a manual of selection procedures.

- **RM4:** MINEPAT will define a methodology for ex-ante evaluation of investment projects including guidelines for climate change adaptation and mitigation and integrate this methodology into a project maturation guide.

- **RM5:** Revise Decree 2018/4992 of June 21, 2018, which sets out the rules governing the project maturation process and Decree 2013/7987 on the creation, organization, and functioning of the Monitoring Committees for the Physical-Financial Execution of Public Investment to integrate climate considerations into each phase of the investment project cycle (e.g., ex-ante evaluation, selection).

13. For successful implementation of crucial climate-related investment projects, the preparation and budgeting will be complemented by strengthening of the budget execution. The authorities will continue efforts to improve the monitoring of investment project implementation. A report on the evolution and financial situation of major investment projects has been annexed to the budget law since 2020, including the potential impact on public debt and refinancing risks. Other projects are monitored by each ministry and included in the summary and financial statement in each Medium-Term Expenditure Framework (MTEF). Public-Private Partnerships (PPPs) are specifically monitored in the Fiscal Risk Report. Going forward, the focus will be on: (i) making the public procurement system more efficient and transparent; (ii) ensuring

regular, timely, and efficient payment of public expenditure, including "green" expenditure; (iii) implementing asset accounting and enable appropriate maintenance for resilient investments; (iv) strengthening the capacity of oversight institutions to manage and analyze climate-related spending and results; and (v) coordinating climate change-related actions with subnational governments and SOEs.

C. Pillar 3. Enhancing Adaptation Efforts

14. Understanding population and asset exposure to disasters is key for building resilience against climate change. While the concept of disaster risk management (DRM) is included in Cameroon's national legislation, there is a lack of clear mandates and adequate capacities for national agencies to monitor risk and incorporate disaster forecast information. The existing risk assessment conducted by the United Nations Office for Disaster Risk Reduction (UNDRR) needs to be validated and supported by locally available information at a more granular level for a comprehensive risk management strategy. The role of collecting, managing, and disseminating information on natural, technological, industrial, and anthropic risks is with the National Risk Observatory (ONR) whose organization and functions are laid out in the decree 037/PM of March 19, 2003.

15. The government is preparing a revised civil protection law, which sets the rules relating to risk prevention and management of disasters. A revision of the 2003 presidential order to operationalize the ONR will help clarify the Observatory's responsibilities and functioning in light of the draft civil protection law and allow the use of risk assessment in all phases of DRM, including risk reduction, preparedness, response, and recovery. The proposed reform measures (RM6 and RM7) will be instrumental in supporting the creation of an effective DRM framework. RM6 ensures the adoption of this draft civil protection law and improves ONR's involvement in disaster preparedness and response. RM7 facilitates the authorities' access to funds post-disaster through the development and adoption of a Disaster Risk Financing strategy. The strategy would discuss the provision of social safety nets for vulnerable households in risk-exposed areas.

- **RM6.** Adopt and promulgate the revised Civil Protection Law and update Order no. 037/PM on creation, organization, and operation of a National Risk Observatory (ONR).
- **RM7.** Develop and adopt a Disaster Risk Financing Strategy, with clear roles and responsibilities and milestones to build financial resilience against disasters.

16. RSF reforms are expected to indirectly benefit the agricultural sector, Cameroon's most exposed sector to climate change. In Cameroon, agriculture employs over 70 percent of the population and contributes almost a third of export earnings, after crude oil. Climate change will significantly affect agriculture, including through reduced crop yields and lower labor productivity, especially because of the high proportion of subsistence farmers particularly vulnerable to weather shocks (Annex I). The proposed measures under pillars 2 and 3 are expected to have significant effects on agriculture. RMs integrating climate considerations in the PFM and PIM practices would support measures to build climate resilient infrastructure, which is crucial for agribusiness and

farmers, connecting them to markets. Establishing a strong DRM framework guided by use of available risk information will also be critical for agricultural sector resilience and will strengthen the ability of the sector, to prevent, mitigate, prepare, respond to, and recover from natural hazards, as well as adapt and transform in response to climate change. Food and Agricultural Organization (FAO) is working with Cameroon on climate-resilient agriculture. This includes improving the anticipatory action and emergency response system in Cameroon.[3]

D. Pillar 4. Supporting Mitigation Efforts

17. Cameroon's greenhouse gas (GHG) emissions are only about 0.25 percent of the total global emissions, but higher than the SSA average in per capita terms. Under the NDC, Cameroon committed to reduce greenhouse gas emissions by 35 percent by 2035 relative to a "business-as-usual" scenario, including an unconditional target of 12 percent. As a hydrocarbon producer hosting a large tropical forest, Cameroon has a potential to enhance its mitigation efforts through advancing energy transition, improving standards in the hydrocarbon industry, and enhancing forest governance.

18. Cameroon is home to large areas of Congo Basin rainforest, the second largest in the world. Rainforests present a stable carbon sink and a key opportunity for Cameroon—whose territory is about 40 percent forest—to achieve sustainable growth. The European Union (EU) and the French Development Agency (AFD) are supporting Cameroon in the context of the Green and Resilient Cameroon (CASEVE) program, which aims to prevent food and climate crises that result from the overexploitation of territories and natural resources. Despite efforts, Cameroon has experienced one of the fastest deforestation rates in the world. Some direct causes include illegal logging—estimated at over 50 percent of total logging,[4] expansion of commercial agriculture, clearing for small-scale agriculture, extractive activities, construction of roads, and other infrastructure.[5] Forest loss is also increasingly driven by climate change, through increased exposure to droughts, fires, storms, and pest outbreaks. The government has deployed a number of taxes and royalties to promote sustainable forestry including a differentiated rate on a felling tax—with preferential taxes for sustainably certified companies—and export duties. The RSF will support these efforts by introducing fiscal incentives in the form of a feebate system. Under this system, the taxes on key forestry commodities such as timber and cocoa (which together constitute roughly three-fifths of the country's total non-oil exports),[6] will increase for producers whose standards are assessed as environmentally unsustainable. When accredited companies can prove that their production has been sustainable, they are offered a tax rebate. The feebate scheme holds potential to incentivize a significant portion of timber and cocoa producers toward sustainable forestry

[3] See https://www.fao.org/fao-stories/article/en/c/1640172/

[4] Jianbang, G., P. O. Cerutti, M. Masiero, D. Pettenella, N. Andrighetto, and T. Dawson. 2016. "Quantifying Illegal Logging and Related Timber Trade." In Illegal Logging and Related Timber Trade Dimensions, Drivers, Impacts and Responses: A Global Scientific Rapid Response Assessment Report, ed. D. Kleinschmit, S. Mansourian, and C. Wildburger. IUFRO.

[5] World Bank CCDR 2022.

[6] Estimated using UN COMTRADE data for 2022, accessed on December 8, 2023.

practices. This tax reform will be implemented through the standard tax system, and not through any ad-hoc environmental parafiscal system and will be revenue neutral. Technical assistance would be needed to examine the design of a feebate and to build the authorities' capacity to implement and monitor this measure. The World Bank and the Agricultural Research Centre for International Development (CIRAD) will support the authorities in meeting the RM, including non-fiscal aspects such as setting-up, updating or strengthening Forest Information Management Systems, Monitoring-Reporting-Verification Systems, sustainability certification, Forest Reference Emission Level, and the National Forest Inventory.

- **RM8**. The government will raise taxes on the deforestation-related commodities, namely, cocoa and timber, while granting tax rebates to companies that prove, using accredited sustainability certificates, that the commodity was produced with lower environmental impact than the industry's standard production method.

19. Going forward, Cameroon has the potential to achieve its mitigation goals by gradually eliminating the fuel subsidy and reducing gas flaring and venting (Annex I). The authorities remain committed to phasing out the costly fuel subsidy under the current ECF-EFF arrangement. Moreover, as a hydrocarbon producer, Cameroon has a potential to reduce the amount of gas flaring which is the second largest contributor to Cameroon's CO2 emissions by fuel or industry (Global Carbon Budget 2022). While there are early considerations regarding capturing and commercializing associated gas, it is important to consider an effective regulation mechanism to reduce the amounts of gas flared and vented in the meantime. These reforms could be supported by the future engagements with technical partners to strengthen Cameroon's mitigation efforts.

Text Table 1. Cameroon: Timeline of the RSF Reviews and Reform Measure Completion

	ECF-EFF 6th review Availability date June 15, 2024	ECF-EFF 7th review Availability date December 15, 2024	ECF-EFF 8th review Availability date June 3, 2025
RSF approval January 2024	RSF 1st review	RSF 2nd review	RSF 3rd review
Pillar 1. **Strengthening climate governance framework and coordination**	**RM1.** Issue a regulatory act that: (i) defines the central role of the MINEPDED as the key authority responsible for the coordination of the climate agenda supported by the Ministry of Economy and the Ministry of Finance; and (ii) defines the roles and responsibilities of other sector ministries and public agencies in implementing the climate agenda. [PM (Prime Minister) Office or President's Office]		**RM2.** Develop and adopt an NCP validated by the Prime Minister, in line with the 2021 NDC, that (i) states key climate actions, targets, policies, and measures by the government to address adaptation and mitigation challenges; and (ii) defines roles and responsibilities of sector ministries and public agencies in implementing the NCP. The NCP to be published on the MINEPDED website. [PM Office and MINEPDED]
Pillar 2. **Mainstreaming the climate agenda into the PFM processes**	**RM3.** MINEPAT, in collaboration with the other ministries concerned, will define, and publish the criteria for prioritization and selection of projects integrating climate change-related criteria and develop a manual of selection procedures. [MINEPAT]	**RM4.** MINEPAT will define a methodology for ex-ante evaluation of investment projects including guidelines for climate change adaptation and mitigation, and integrate this methodology into a project maturation guide. [MINEPAT]	**RM5.** Revise Decree 2018/4992 of 21 June 2018, which sets out the rules governing the project maturation process and Decree 2013/7987 on the creation, organization and functioning of the Monitoring Committees for the Physical-Financial Execution of Public Investment to integrate climate considerations into each phase of the investment project cycle (ex-ante evaluation, selection, etc.). [MINEPAT]
Pillar 3. **Enhancing adaptation efforts**		**RM6.** Adopt and promulgate the revised Civil Protection Law and update Order no. 037/PM on creation, organization, and operation of a National Risk Observatory (ONR). [President's Office]	**RM7.** Develop and adopt a Disaster Risk Financing Strategy, with clear roles and responsibilities and milestones to build financial resilience against disasters. [MINFI/MINEPDED]
Pillar 4. **Supporting mitigation efforts**			**RM8.** The government will raise taxes on the deforestation-related commodities, namely cocoa and timber, while granting tax rebates to companies that prove, using accredited sustainability certificates, that the commodity was produced with lower environmental impact than the industry's standard production method. [MINFI]

PROGRAM MODALITIES AND ISSUES

20. On December 20, 2023, the IMF Executive Board approved the authorities' request for an extension and augmentation of the ECF-EFF arrangements. This allows an extension of the

arrangements from the current 36 months to 48 months (through July 28, 2025) and an augmentation of access by 40 percent of quota over the extension period for balance of payments support, reflecting SDR 36.8 million (ECF) and SDR 73.6 million (EFF), increasing total access under the ECF-EFF to SDR 593.4 million or 215 percent of quota (of which SDR 197.8 million or 71.7 percent of quota for ECF and SDR 395.6 million or 143.3 percent of quota for EFF). The Board completed the fifth review on December 20, 2023. Based on available data for September 2023, the program remains on track. Data for end-2023 are not yet available.

21. Access, phasing, and reviews. Cameroon is eligible for RSF financing (Group B). The proposed access level is set at 50 percent of Cameroon's quota, or SDR 138 million (around US$185 million) based on the proposed duration of 18 months and the strength of the proposed RMs and adequate capacity to repay the Fund. The proposed RSF and its access level are seen as a start to climate-related reforms. Additional reforms may justify additional access in the future, whether through an augmentation of this RSF or a future RSF (under a future UCT arrangement), in line with reform strength and other requirements. The proposed RSF is intended for direct budget support and will provide Cameroon with more affordable financing at longer maturities, further improving its capacity to repay. The RSF will have three reviews, with board dates scheduled to coincide with ECF-EFF reviews in June 2024, December 2024, and June 2025. The RSF phasing will reflect implementation of the reform measures, with each measure equivalent to 6.25 percent of the quota, or SDR 17.25 million (Table 9). As the RSF is being used for budget support, a Memorandum of Understanding (MoU) between the Ministry of Finance and the Central Bank has been signed (¶8 of the RSF Operational Guidance Note).

22. Cameroon's capacity to repay the IMF is adequate, but subject to significant risks (Figure 1 and Table 5). Under the baseline, total Fund credit outstanding (based on existing and prospective drawings) peaks at over 3 percent of GDP in 2023, while annual obligations to the Fund peak at about 2.9 percent of revenues excluding grants in 2027, well above the reference group top quartile. While outstanding credit as a share of relevant macroeconomic indicators is projected to remain below the median of comparator countries, annual obligations in percent of revenues and exports are forecast to be well above the median of the reference group. Risks to the program and the Fund are elevated and the capacity to repay the Fund could be further strained by the materialization of potential risks (e.g., global spillover risks, or SOEs' contingent liabilities, especially from delays in implementing critical reforms). Accelerating the pace of reforms and staying on course on program targets will be essential, along with timely budget support from other donors. Strong political support for the program's objectives at the national and regional level are critical to mitigating these risks.

23. The ECF-EFF program is fully financed. Development partners have provided firm financing commitments over the next 12 months, and there are good prospects for its financing over the remainder of the arrangement. Discussions with donors confirmed the importance of the Fund's engagement in their decision to contribute to budget support, quasi-budget support and project financing.

24. Risks to the RSF are manageable. Further delays in implementing supportive infrastructure projects could exacerbate social and/or security tensions. Higher oil revenue could test the authorities' ability to implement reforms ahead of the elections. Higher spillovers from the regional and global environment could threaten external balances, while increased climate-related events could heighten food insecurity and social tensions. The authorities' track record and commitment to the reforms envisaged under the RSF suggests that risks are manageable. Risks are also mitigated by program conditionality, close engagement with key donors, and a comprehensive capacity development program, tailored to pressing and longer-term needs.

25. The RSF arrangement is expected to catalyze further financing. Close collaboration with several international and bilateral donors under the RSF arrangement leverages comparative expertise and institutional knowledge. For instance, the World Bank has emphasized the importance of the RSF reform measures in reinforcing the World Bank engagement in climate-resilient development and intend to maintain close collaboration with the IMF, including on supporting Cameroon to mobilize additional climate financing. In addition, the EU expects to have a climate portfolio of EUR40 million in the 2024-28 timeframe and has stressed the importance of the RSF-supported program in accelerating climate-related reforms. Strong implementation of the RMs would signal Cameroon's commitment to advance key reforms aimed at addressing climate change challenges. Reforms under the arrangement also lays the ground for building the framework to strengthen donor engagement and attract private green financing in the future.

26. Cameroon remains at high risk of debt distress, but its debt is sustainable over the medium term with the RSF. RSF financing—replacing more expensive financing—will improve total public debt indicators with a slight deterioration of external debt ratios, while the overall impact on the debt sustainability analysis is limited. The reform package under the RSF could accelerate progress in addressing climate-related risks which could enhance longer-term debt sustainability.

Text Table 2. Cameroon: External Financing
(In billions of CFAF, unless otherwise indicated)

	2023	2024	2025	Total (CFAF, billions)	Total (SDR, millions)	Percent of Gap	Percent of Quota[1]
Financing Gap	**186**	**253**	**104**	**542**	**673**	**100**	**244**
IMF Financing	**136**	**89**	**44**	**269**	**334**	**50**	**121**
ECF	45	30	15	89	111	16	40
EFF	91	59	30	180	223	33	81
Budget Support from other Donors	**50**	**164**	**60**	**273**	**339**	**50**	**123**
AfDB	23	18	0	41	51	8	18
World Bank	0	120	60	180	223	33	81
France	27	26	0	53	65	10	24
EU	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Exceptional Financing	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Residual Gap	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Memorandum items							
RSF	**0**	**55**	**56**	**111**	**138**	**0**	**50**

Source: IMF staff calculations.
1/ Cameroon's current quota is SDR 276.0 million.

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27. Climate change presents substantial risks for Cameroon. Cameroon has abundant natural resources, and its territory covers a sizable proportion of one of the largest rainforests in the world, the Congo basin. At the same time, it is a fragile and conflict affected state (FCS), with a range of fragilities including a high vulnerability to climate change, with risks from recurrent droughts, floods, landslides, and coastal erosion. Climate change poses an imminent threat to livelihoods and could result in significant output losses, while worsening food insecurity and conflicts, and exacerbating poverty and inequality and population displacements. If not appropriately addressed, climate change could delay human capital accumulation and jeopardize development and inclusive growth.

28. The authorities recognize that addressing the climate change impact is an important priority in their national development strategy. The National Development Strategy (SND-30) highlights climate change as one of the main challenges of the country and identifies adaptation and mitigation as key objectives to achieve sustainable and inclusive growth. They are also committed to sustainable management of natural resources and adaptation and mitigation policies

and Cameroon is a COP21 signatory. The authorities have endorsed Cameroon's Nationally Determined Contribution (NDC), which commits to reducing greenhouse gas emissions and identifies several adaptation priorities, including climate-smart agriculture, resilient energy and transportation infrastructure, and disaster risk management.

29. Steadfast implementation of Cameroon's climate change agenda is critical. Strong reform implementation will enhance the populations' resilience to climate shocks in the near term and mitigate long-term risks to balance of payments. The authorities will need to address key structural challenges related to climate change, including resilient infrastructure and agriculture, supported by initiatives to mobilize private climate finance.

30. Coordination among entities and partners involved in Cameroon's climate agenda will also be important. Cameroon's climate change measures cut across several ministries and agencies, requiring close collaboration among them. The reforms will also require close collaboration with other international financial institutions (IFIs), including the World Bank and bilateral donors.

31. Substantial financial resources and technical assistance will be needed to achieve objectives. The RSF is expected to catalyze additional climate finance, and to reinforce ongoing capacity building, while initiating work in new areas.

32. Given the commitment to reforms, staff supports the authorities' request for an RSF arrangement. The proposed RSF arrangement will support Cameroon's efforts to adapt to climate change and step-up mitigation reforms, improve its medium-term climate policy stance, replace more expensive financing, and augment buffers against shocks linked to structural challenges from climate change and related prospective BOP needs. The comprehensive reform package should help address key identified policy challenges in climate change, including creating an enabling environment for policy implementation, with appropriate institutional and PFM frameworks, and advancing adaptation and mitigation efforts.

Table 1. Cameroon: Selected Economic and Financial Indicators, 2022–28

(CFAF billion, unless otherwise indicated)

	2022	2023		2024		2025	2026	2027	2028
	Est.	5th Rev.	Proj.	5th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)								
National account and prices									
GDP at constant prices	3.6	4.0	4.0	4.3	4.3	4.5	4.5	4.5	4.6
Oil GDP at constant prices	2.1	0.5	0.5	2.7	2.7	1.3	0.2	0.2	0.2
Non-Oil GDP at constant prices	3.6	4.1	4.1	4.3	4.3	4.5	4.6	4.6	4.7
GDP deflator	6.3	3.1	3.1	3.5	3.5	4.0	3.1	2.6	1.7
Nominal GDP (at market prices, CFAF billions)	27,702	29,704	29,704	32,063	32,063	34,822	37,515	40,216	42,770
Oil	1,155	957	957	976	976	939	900	866	837
Non-Oil	26,548	28,747	28,747	31,088	31,088	33,884	36,615	39,349	41,933
Consumer prices (average)	6.3	7.2	7.2	5.9	5.9	5.5	4.9	3.4	2.5
Consumer prices (eop)	7.3	6.2	6.2	5.5	5.5	5.2	3.6	2.0	2.0
Money and credit									
Broad money (M2)	11.4	9.0	9.0	8.4	8.4	7.6	7.4	7.2	7.1
Net foreign assets 1/	7.7	1.6	-0.8	3.2	6.0	3.2	2.2	2.5	3.5
Net domestic assets 1/	3.6	7.4	9.8	5.3	2.4	4.4	5.2	4.7	3.6
Domestic credit to the private sector	13.6	11.2	11.2	9.5	9.5	7.7	7.4	7.2	7.2
	(Percent of GDP, unless otherwise indicated)								
Savings and investments									
Gross national savings	15.3	15.6	15.6	16.2	16.2	17.0	17.3	18.3	19.1
Gross domestic investment	18.7	18.6	18.6	19.0	19.0	19.4	20.1	20.9	21.8
Public investment	4.6	4.6	4.6	5.3	5.3	5.9	6.6	7.2	7.5
Private investment	14.1	13.9	13.9	13.7	13.7	13.6	13.5	13.8	14.4
Central government operations									
Total revenue (including grants)	15.9	16.0	16.0	15.9	15.9	15.5	15.6	15.7	15.8
Oil revenue	3.5	2.9	2.9	2.5	2.5	2.0	1.9	1.8	1.7
Non-oil revenue	12.1	12.7	12.7	13.1	13.1	13.3	13.6	13.8	14.0
Non-oil revenue (percent of non-oil GDP)	12.6	13.1	13.1	13.5	13.5	13.7	13.9	14.1	14.3
Total expenditure	17.1	16.6	16.6	16.3	16.3	15.9	16.4	16.6	16.7
Overall fiscal balance (payment order basis)									
Excluding grants	-1.5	-1.0	-1.0	-0.7	-0.7	-0.6	-0.9	-1.0	-0.9
Including grants	-1.1	-0.7	-0.7	-0.4	-0.4	-0.4	-0.8	-0.9	-0.9
Overall fiscal balance (cash basis)									
Excluding grants	-1.6	-2.3	-1.6	-1.4	-2.0	-1.1	-1.4	-1.0	-0.9
Including grants	-1.2	-1.9	-1.3	-1.1	-1.7	-0.9	-1.2	-0.9	-0.9
Non-oil primary balance (payment order basis)	-3.9	-2.5	-2.5	-1.9	-1.9	-1.3	-1.6	-1.6	-1.6
Non-oil primary balance (payment order basis, percent of non-oil GDP)	-4.0	-2.6	-2.6	-2.0	-2.0	-1.4	-1.7	-1.7	-1.6
External sector									
Trade balance	-0.7	-1.7	-1.7	-1.5	-1.5	-1.3	-1.6	-1.7	-1.7
Oil exports	7.8	5.5	5.5	5.1	5.1	4.9	4.2	3.5	3.0
Non-oil exports	7.8	8.4	8.4	8.5	8.5	8.3	8.2	8.2	8.3
Imports	16.3	15.6	15.6	15.1	15.1	14.6	14.0	13.4	13.0
Current account balance									
Excluding official grants	-3.7	-3.3	-3.3	-2.9	-2.9	-2.7	-2.8	-2.7	-2.8
Including official grants	-3.4	-3.0	-3.0	-2.8	-2.8	-2.5	-2.8	-2.7	-2.7
Terms of trade	-10.6	-2.2	-2.2	1.6	1.6	0.5	-4.4	-5.5	-4.5
Public debt									
Stock of public debt	45.3	41.8	41.8	39.0	39.0	36.1	34.1	32.5	31.3
Of which: external debt	30.8	29.2	28.6	28.5	28.6	27.3	26.3	25.7	25.7

Source: Country authorities; and IMF staff estimates and projections.
1/ Percent of broad money at the beginning of the period.

Table 2a. Cameroon: Central Government Operations, 2022–28

(CFAF billion, unless otherwise indicated)

	2022	2023		2024		2025	2026	2027	2028
	Est.	5th Rev.	Proj.	5th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**4,417**	**4,743**	**4,743**	**5,106**	**5,106**	**5,409**	**5,843**	**6,315**	**6,741**
Total revenue	4,313	4,644	4,644	5,009	5,009	5,328	5,799	6,275	6,720
Oil sector revenue	973.8	870	870	810	810	691	698	709	724
Non-oil sector revenue	3,339	3,774	3,774	4,200	4,200	4,636	5,100	5,566	5,996
Direct taxes	838	964	964	1,069	1,069	1,208	1,372	1,528	1,676
Special tax on petroleum products	150	173	173	181	181	189	198	207	216
Other taxes on goods and services	1,699	1,915	1,915	2,125	2,125	2,385	2,624	2,882	3,087
Taxes on international trade	420	453	453	509	509	520	547	576	623
Non-tax revenue	232	269	269	316	316	335	360	374	394
Total grants	104	99	99	97	97	81	45	40	21
Projects	49	35	35	38	38	41	45	40	21
Other	55	64	64	59	59	40	0	0	0
Total expenditure	**4,725**	**4,937**	**4,937**	**5,227**	**5,227**	**5,546**	**6,136**	**6,669**	**7,124**
Current expenditure	3,448	3,506	3,506	3,494	3,494	3,429	3,597	3,776	3,930
Wages and salaries	1,193	1,313	1,313	1,428	1,428	1,487	1,557	1,682	1,780
Goods and services	893	833	833	927	927	956	1,030	1,047	1,063
Subsidies and transfers	1,151	1,037	1,037	818	818	627	636	643	654
Interest	211	323	323	320	320	359	373	404	433
External	169	194	194	182	182	209	212	230	249
Domestic	42	129	129	138	138	150	162	173	184
Capital expenditure	1,279	1,379	1,379	1,690	1,690	2,037	2,489	2,893	3,194
Domestically financed investment	581	627	627	819	819	1,012	1,389	1,767	2,085
Foreign-financed investment	688	723	723	831	831	986	1,060	1,086	1,069
Rehabilitation and participation	10	29	29	40	40	40	40	40	40
Net lending	-2	0	0	0	0	0	0	0	0
Local production stimulus fund	0	21	21	13	13	0	0	0	0
Decentralization addendum special account	0	31	31	30	30	0	0	0	0
Overall balance (payment order basis)									
Excluding grants	-412	-294	-294	-218	-218	-219	-337	-394	-405
Including grants	-308	-194	-194	-121	-121	-138	-292	-354	-383
CEMAC reference fiscal balance	**-819**	**-489**	**-489**	**-216**	**-216**	**4**	**-246**	**-379**	**-467**
Adjustment to cash basis	**-25**	**-385**	**-185**	**-220**	**-420**	**-170**	**-170**	**0**	**0**
Unexecuted payment orders (-=reduction)	0	0	0	0	0	0	0	0	0
Floats and arrears (- = reduction)	-25	-385	-185	-220	-420	-170	-170	0	0
o/w Arrears (- = reduction)	-43	-370	-170	-150	-350	-100	-100	0	0
o/w Floats (- = reduction)	18	0	0	-50	-50	-50	-50	0	0
o/w other arrears 1/	0	-15	-15	-20	-20	-20	-20	0	0
Overall balance (cash basis)									
Excluding grants	-436	-678	-478	-438	-638	-389	-507	-394	-405
Including grants	-332	-579	-379	-341	-541	-308	-462	-354	-383
Financing	**332**	**393**	**193**	**89**	**289**	**203**	**462**	**354**	**383**
External financing, net	310	291	91	264	464	287	398	432	616
Amortization	-589	-704	-704	-643	-643	-657	-623	-654	-538
Drawings	898	995	795	907	1,107	945	1,021	1,086	1,155
Eurobond	0	0	0	0	0	0	0	0	0
Domestic financing, net	22	102	102	-176	-176	-84	65	-78	-233
Banking system, net	73	302	302	61	61	71	69	122	148
Central Bank	102	110	110	-64	-9	-73	-149	-112	-99
SDR Allocation	70	80	80	0	0	0	0	0	0
RSF		0	0	0	55	56	0	0	0
Commercial Banks	-28	192	192	125	70	144	218	235	247
Non-bank financing, net	-51	-200	-200	-236	-236	-155	-4	-200	-381
Financing gap	**0**	**186**	**186**	**253**	**253**	**104**	**0**	**0**	**0**
IMF Financing		**136**	**136**	**89**	**89**	**44**	**0**	**0**	**0**
ECF		45	45	30	30	15	0	0	0
EFF		91	91	59	59	30	0	0	0
Budget Support (excl. IMF)		**50**	**50**	**164**	**164**	**60**	**0**	**0**	**0**
AfDB		23	23	18	18	0	0	0	0
WB		0	0	120	120	60	0	0	0
France		27	27	26	26	0	0	0	0
EU		0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0
Exceptional Financing		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Residual gap		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Memorandum items:									
Primary balance (payment order basis, incl. grants)	-97	129	129	199	199	222	81	50	50
Primary balance (cash basis, incl. grants)	-122	-256	-56	-21	-221	52	-89	50	50
Non-oil primary balance (payment order basis, incl. grants)	-1,071	-741	-741	-611	-611	-470	-617	-659	-674
Non-oil primary balance (cash basis, incl. grants)	-1,095	-1,126	-926	-831	-1,031	-640	-787	-659	-674

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

1/ Other arrears include the stock of unstructured debt held by CAA and the "floating" domestic debt at the Treasury, as defined in the TMU (Technical Memorandum of Understanding).

Table 2b. Cameroon: Central Government Operations, 2022–28

(In percent of GDP)

	2022	2023		2024		2025	2026	2027	2028
	Est.	5th Rev.	Proj.	5th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**15.9**	**16.0**	**16.0**	**15.9**	**15.9**	**15.5**	**15.6**	**15.7**	**15.8**
Total revenue	15.6	15.6	15.6	15.6	15.6	15.3	15.5	15.6	15.7
Oil sector revenue	3.5	2.9	2.9	2.5	2.5	2.0	1.9	1.8	1.7
Non-oil sector revenue	12.1	12.7	12.7	13.1	13.1	13.3	13.6	13.8	14.0
Direct taxes	3.0	3.2	3.2	3.3	3.3	3.5	3.7	3.8	3.9
Special tax on petroleum products	0.5	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5
Other taxes on goods and services	6.1	6.4	6.4	6.6	6.6	6.8	7.0	7.2	7.2
Taxes on international trade	1.5	1.5	1.5	1.6	1.6	1.5	1.5	1.4	1.5
Non-tax revenue	0.8	0.9	0.9	1.0	1.0	1.0	1.0	0.9	0.9
Total grants	0.4	0.3	0.3	0.3	0.3	0.2	0.1	0.1	0.0
Projects	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Other	0.2	0.2	0.2	0.2	0.2	0.1	0.0	0.0	0.0
Total expenditure	**17.1**	**16.6**	**16.6**	**16.3**	**16.3**	**15.9**	**16.4**	**16.6**	**16.7**
Current expenditure	12.4	11.8	11.8	10.9	10.9	9.8	9.6	9.4	9.2
Wages and salaries	4.3	4.4	4.4	4.5	4.5	4.3	4.2	4.2	4.2
Goods and services	3.2	2.8	2.8	2.9	2.9	2.7	2.7	2.6	2.5
Subsidies and transfers	4.2	3.5	3.5	2.6	2.6	1.8	1.7	1.6	1.5
Interest	0.8	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0
External	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6
Domestic	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Capital expenditure	4.6	4.6	4.6	5.3	5.3	5.9	6.6	7.2	7.5
Domestically financed investment	2.1	2.1	2.1	2.6	2.6	2.9	3.7	4.4	4.9
Foreign-financed investment	2.5	2.4	2.4	2.6	2.6	2.8	2.8	2.7	2.5
Rehabilitation and participation	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Local production stimulus fund	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Decentralization addendum special account	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Overall balance (payment order basis)									
Excluding grants	-1.5	-1.0	-1.0	-0.7	-0.7	-0.6	-0.9	-1.0	-0.9
Including grants	-1.1	-0.7	-0.7	-0.4	-0.4	-0.4	-0.8	-0.9	-0.9
CEMAC reference fiscal balance	**-3.0**	**-1.6**	**-1.6**	**-0.7**	**-0.7**	**0.0**	**-0.7**	**-0.9**	**-1.1**
Adjustment to cash basis	**-0.1**	**-1.3**	**-0.6**	**-0.7**	**-1.3**	**-0.5**	**-0.5**	**0.0**	**0.0**
Unexecuted payment orders (-=reduction)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Floats and arrears (- = reduction)	-0.1	-1.3	-0.6	-0.7	-1.3	-0.5	-0.5	0.0	0.0
o/w Arrears (- = reduction)	-0.2	-1.2	-0.6	-0.5	-1.1	-0.3	-0.3	0.0	0.0
o/w Floats (- = reduction)	0.1	0.0	0.0	-0.2	-0.2	-0.1	-0.1	0.0	0.0
o/w other arrears 1/	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0
Overall balance (cash basis)									
Excluding grants	-1.6	-2.3	-1.6	-1.4	-2.0	-1.1	-1.4	-1.0	-0.9
Including grants	-1.2	-1.9	-1.3	-1.1	-1.7	-0.9	-1.2	-0.9	-0.9
Financing	**1.2**	**1.3**	**0.7**	**0.3**	**0.9**	**0.6**	**1.2**	**0.9**	**0.9**
External financing, net	1.1	1.0	0.3	0.8	1.4	0.8	1.1	1.1	1.4
Amortization	-2.1	-2.4	-2.4	-2.0	-2.0	-1.9	-1.7	-1.6	-1.3
Drawings	3.2	3.4	2.7	2.8	3.5	2.7	2.7	2.7	2.7
Eurobond	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing, net	0.1	0.3	0.3	-0.5	-0.5	-0.2	0.2	-0.2	-0.5
Banking system, net	0.3	1.0	1.0	0.2	0.2	0.2	0.2	0.3	0.3
Central Bank	0.4	0.4	0.4	-0.2	0.0	-0.2	-0.4	-0.3	-0.2
SDR Allocation	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
RSF		0.0	0.0	0.0	0.2	0.2	0.0	0.0	0.0
Commercial Banks	-0.1	0.6	0.6	0.4	0.2	0.4	0.6	0.6	0.6
Non-bank financing, net	-0.2	-0.7	-0.7	-0.7	-0.7	-0.4	0.0	-0.5	-0.9
Financing gap	**0.0**	**0.6**	**0.6**	**0.8**	**0.8**	**0.3**	**0.0**	**0.0**	**0.0**
IMF Financing	**0.0**	**0.5**	**0.5**	**0.3**	**0.3**	**0.1**	**0.0**	**0.0**	**0.0**
Budget Support (excl. IMF)	**0.0**	**0.2**	**0.2**	**0.5**	**0.5**	**0.2**	**0.0**	**0.0**	**0.0**
Exceptional Financing	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Residual gap	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:									
Primary balance (payment order basis, incl. grants)	-0.3	0.4	0.4	0.6	0.6	0.6	0.2	0.1	0.1
Primary balance (cash basis, incl. grants)	-0.4	-0.9	-0.2	-0.1	-0.7	0.1	-0.2	0.1	0.1
Non-oil primary balance (payment order basis, incl. grants)	-3.9	-2.5	-2.5	-1.9	-1.9	-1.3	-1.6	-1.6	-1.6
Non-oil primary balance (cash basis, incl. grants)	-4.0	-3.8	-3.1	-2.6	-3.2	-1.8	-2.1	-1.6	-1.6

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

1/ Other arrears include the stock of unstructured debt held by CAA and the "floating" domestic debt at the Treasury, as defined in the TMU (Technical Memorandum of Understanding).

Table 3. Cameroon: Balance of Payments, 2022–28

(CFAF billion, unless otherwise shown)

	2022	2023		2024		2025	2026	2027	2028
	Est.	5th Rev.	Proj.	5th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
					(CFAF billion)				
Current account balance	**-941**	**-884**	**-884**	**-896**	**-896**	**-866**	**-1,037**	**-1,085**	**-1,161**
Trade balance	-197	-513	-513	-484	-484	-470	-607	-666	-720
Exports, goods	4,322	4,135	4,135	4,371	4,371	4,600	4,641	4,709	4,860
Oil and oil products	2,163	1,645	1,645	1,648	1,648	1,702	1,569	1,409	1,289
Non-oil sector	2,159	2,490	2,490	2,724	2,724	2,898	3,072	3,300	3,571
Imports, goods	-4,519	-4,648	-4,648	-4,856	-4,856	-5,070	-5,248	-5,375	-5,580
Services (net)	-508	-437	-437	-426	-426	-425	-419	-406	-433
Exports, services	1,073	1,287	1,287	1,413	1,413	1,556	1,707	1,860	1,990
Imports, services	-1,581	-1,724	-1,724	-1,840	-1,840	-1,981	-2,126	-2,266	-2,423
Income (net)	-689	-411	-411	-414	-414	-459	-483	-519	-554
Of which: interest due on public debt	-169	-194	-194	-182	-182	-209	-212	-230	-249
Transfers (net)	454	477	477	429	429	488	472	507	547
Inflows	727	757	757	731	731	815	824	884	940
Outflows	-273	-280	-280	-302	-302	-327	-352	-377	-393
Capital and financial account balance	**1,421**	**893**	**693**	**984**	**1,184**	**1,034**	**1,237**	**1,329**	**1,550**
Capital account	135	35	35	38	38	41	45	40	21
Capital transfers	49	35	35	38	38	41	45	40	21
Financial account	1,287	857	657	946	1,146	993	1,193	1,289	1,529
Official capital	145	291	91	264	464	343	399	434	619
Borrowing	733	995	795	907	1,107	1,000	1,021	1,086	1,155
Of which: SDR Allocation	0	0	0	0	0	0	0	0	0
Amortization	-589	-704	-704	-643	-643	-657	-623	-654	-538
Non-official capital (net)	755	586	586	657	657	695	839	900	939
of which: Foreign direct investment	560	554	554	622	622	713	799	858	896
Oil sector (net)	122	120	120	135	135	155	173	186	194
Short-term private capital, net	387	-20	-20	25	25	-45	-45	-45	-30
Errors and omissions	**68**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**548**	**9**	**-191**	**88**	**288**	**168**	**201**	**244**	**389**
Financing	**-548**	**-9**	**191**	**-88**	**-288**	**-168**	**-201**	**-244**	**-389**
Bank of Central African States	-669	-161	39	-289	-545	-250	-72	-95	-251
IMF Repayments	0	-33	-33	-51	-51	-78	-129	-149	-138
SDR Allocation	0	0	0	0	0	0	0	0	0
RSF	0	0	0	0	55	56	0	0	0
Financing gap	0	186	186	253	253	104	0	0	0
IMF Financing		136	136	89	89	44	0	0	0
Budget Support (excl. IMF)		50	50	164	164	60	0	0	0
Exceptional Financing		0	0	0	0	0	0	0	0
Residual gap		0	0	0	0	0	0	0	0
					(Percent of GDP)				
Trade balance	**-0.7**	**-1.7**	**-1.7**	**-1.5**	**-1.5**	**-1.3**	**-1.6**	**-1.7**	**-1.7**
Oil exports	7.8	5.5	5.5	5.1	5.1	4.9	4.2	3.5	3.0
Non-oil exports	7.8	8.4	8.4	8.5	8.5	8.3	8.2	8.2	8.3
Imports	16.3	15.6	15.6	15.1	15.1	14.6	14.0	13.4	13.0
Current account balance									
Including grants	-3.4	-3.0	-3.0	-2.8	-2.8	-2.5	-2.8	-2.7	-2.7
Excluding grants	-3.7	-3.3	-3.3	-2.9	-2.9	-2.7	-2.8	-2.7	-2.8
Overall balance	**2.0**	**0.0**	**-0.6**	**0.3**	**0.9**	**0.5**	**0.5**	**0.6**	**0.9**
Foreign direct investment	**2.0**	**1.9**	**1.9**	**1.9**	**1.9**	**2.0**	**2.1**	**2.1**	**2.1**
					(Percentage change, unless otherwise indicated)				
Export volume	7.5	5.8	5.8	4.6	4.6	5.8	6.7	8.3	8.5
Crude oil	-0.4	-6.4	-6.4	-9.7	-9.7	-19.3	-17.6	-16.3	-17.8
Nonoil	9.2	8.2	8.2	7.0	7.0	9.3	9.1	10.2	10.1
Import volume	-8.1	10.1	10.1	5.0	5.0	5.5	4.6	3.3	4.2
Terms of trade	-10.6	-2.2	-2.2	1.6	1.6	0.5	-4.4	-5.5	-4.5
Non-oil export price index	-2.1	6.6	6.6	2.3	2.3	-2.6	-2.9	-2.5	-1.7
Export price index	23.4	-9.6	-9.6	1.1	1.1	-0.5	-5.4	-6.3	-4.9
Import price index	38.0	-7.6	-7.6	-0.5	-0.5	-1.1	-1.1	-0.9	-0.4
Oil price ($US dollars per barrel)	96.4	80.5	80.5	79.9	79.9	76.0	72.7	69.9	67.5

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

Table 4. Cameroon: Monetary Survey, 2022–28

(CFAF billion, unless otherwise indicated)

	2022	2023		2024		2025	2026	2027	2028
	Est.	5th Rev.	Proj.	5th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	**3,193**	**3,327**	**3,127**	**3,609**	**3,664**	**3,977**	**4,208**	**4,482**	**4,902**
Bank of Central African States (BEAC)	1,854	1,913	1,713	2,164	2,220	2,503	2,704	2,948	3,338
Of which : BEAC foreign assets	3,191	3,352	3,152	3,641	3,697	3,947	4,019	4,114	4,365
Of which: IMF credit	-794	-896	-896	-934	-934	-901	-772	-623	-485
Commercial banks	1,339	1,414	1,414	1,444	1,444	1,474	1,504	1,534	1,564
Net domestic assets	**4,964**	**5,566**	**5,766**	**6,034**	**5,979**	**6,402**	**6,940**	**7,465**	**7,892**
Domestic credit	6,126	6,983	6,983	7,478	7,478	7,925	8,134	8,664	9,249
Net claims on the public sector	2,328	2,766	2,766	2,865	2,865	2,961	2,807	2,958	3,136
Net credit to the central government	2,267	2,705	2,705	2,854	2,854	2,970	3,036	3,158	3,306
Central Bank	978	914	914	688	744	465	61	-306	-661
Claims	1,371	1,473	1,473	1,511	1,511	1,478	1,349	1,200	1,061
Credit under statutory ceiling	577	577	577	577	577	577	577	577	577
Counterpart of IMF credit	794	896	896	934	934	901	772	623	485
Deposits	-393	-560	-560	-823	-767	-1,013	-1,288	-1,506	-1,722
Commercial Banks	1,289	1,791	1,791	2,166	2,110	2,505	2,973	3,457	3,954
Claims on the Treasury	1,341	1,791	1,791	2,166	2,110	2,505	2,973	3,457	3,954
Deposits	-52	0	0	0	0	0	0	0	0
Deposits of other public entities	-510	-510	-510	-560	-560	-580	-800	-800	-800
Credit to autonomous agencies	27	27	27	27	27	27	27	29	30
Credit to the economy 1/	4,342	4,762	4,762	5,157	5,157	5,508	5,871	6,277	6,713
Credit to public enterprises	544	544	544	544	544	544	544	571	600
Credit to financial institutions	57	57	57	57	57	57	57	57	57
Credit to the private sector	3,742	4,161	4,161	4,556	4,556	4,907	5,270	5,649	6,056
Other items (net)	-1,163	-1,417	-1,217	-1,444	-1,499	-1,523	-1,194	-1,199	-1,357
Broad money	**8,157**	**8,893**	**8,893**	**9,643**	**9,643**	**10,379**	**11,148**	**11,947**	**12,794**
Currency outside banks	1,614	1,761	1,761	1,911	1,911	2,058	2,212	2,372	2,541
Deposits	6,544	7,132	7,132	7,732	7,732	8,321	8,936	9,576	10,253
Memorandum items:									
Net borrowing from the central bank excluding IMF	184	17	17	-246	-191	-436	-711	-929	-1,145
Contribution to the growth of broad money (percentage points)									
Net foreign assets	7.7	1.6	-0.8	3.2	6.0	3.2	2.2	2.5	3.5
Net domestic assets	3.6	7.4	9.8	5.3	2.4	4.4	5.2	4.7	3.6
Of which : net credit to the central government	-0.4	5.4	5.4	1.7	1.7	1.2	0.6	1.1	1.2
Credit to the economy (annual percentage change)	15.1	9.7	9.7	8.3	8.3	6.8	6.6	6.9	6.9
Credit to the private sector									
Annual percentage change	13.6	11.2	11.2	9.5	9.5	7.7	7.4	7.2	7.2
In percent of GDP	13.5	14.0	14.0	14.2	14.2	14.1	14.0	14.0	14.2
Broad money (annual percentage change)	11.4	9.0	9.0	8.4	8.4	7.6	7.4	7.2	7.1
Currency outside banks	4.7	9.1	9.1	8.5	8.5	7.7	7.5	7.2	7.1
Deposits	13.1	9.0	9.0	8.4	8.4	7.6	7.4	7.2	7.1
Velocity (GDP/average M2)	3.4	3.3	3.3	3.3	3.3	3.4	3.4	3.4	3.3

Sources: BEAC and IMF staff calculations.

1/ Credit to the economy includes credit to public enterprises, financial institutions, and the private sector.

Table 5. Cameroon: Capacity to Repay the Fund, 2023–44

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Fund obligations based on existing credit (SDR millions)																						
Principal	41.4	63.5	96.6	159.2	184.0	166.2	153.3	120.2	76.1	46.6	24.5	-	-	-	-	-	-	-	-	-	-	-
Charges and interest	15.2	31.3	31.5	31.1	29.8	27.9	25.4	23.0	20.6	18.6	17.4	17.0	16.9	17.0	16.9	16.9	16.9	17.0	16.9	16.9	16.9	17.0
Fund obligations based on existing and prospective credit (SDR, millions)[1]																						
Principal	41.4	63.5	96.6	159.2	184.0	169.3	170.5	147.8	105.5	76.1	54.0	26.3	15.3	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	12.1
PRGT+GRA	41.4	63.5	96.6	159.2	184.0	169.3	170.5	147.8	105.5	76.1	54.0	24.5	4.9	-	-	-	-	-	-	-	-	-
RST	-	-	-	-	-	-	-	-	-	-	-	1.7	10.4	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	12.1
Charges and interest	17.3	33.2	40.7	43.4	42.2	40.2	37.5	34.3	30.9	28.0	25.8	24.5	23.6	23.0	22.3	21.6	21.0	20.3	19.6	18.9	18.3	17.6
Total obligations based on existing and prospective credit																						
SDR millions	58.7	96.7	137.3	202.6	226.2	209.5	208.0	182.1	136.4	104.0	79.8	50.7	38.9	36.8	36.1	35.4	34.8	34.1	33.4	32.7	32.1	29.7
CFAF billions	47.4	77.7	110.6	163.6	183.6	171.3	170.1	148.9	111.6	85.1	65.3	41.5	31.8	30.1	29.5	29.0	28.4	27.9	27.3	26.8	26.2	24.3
Percent of government revenue	1.0	1.5	2.0	2.8	2.9	2.5	2.4	2.0	1.4	1.0	0.7	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Percent of exports of goods and services	0.9	1.3	1.8	2.6	2.8	2.5	2.3	1.9	1.3	1.0	0.7	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Percent of debt service[2]	5.3	9.4	12.8	19.6	20.8	21.8	19.2	14.4	10.1	7.5	6.4	3.6	2.6	2.4	2.2	2.0	1.8	1.7	1.5	1.4	1.3	1.1
Percent of GDP	0.2	0.2	0.3	0.4	0.5	0.4	0.4	0.3	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of gross reserves	1.5	2.1	2.8	4.1	4.5	3.9	3.7	3.1	2.2	1.6	1.1	0.6	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Percent of quota	21.3	35.0	49.7	73.4	81.9	75.9	75.4	66.0	49.4	37.7	28.9	18.4	14.1	13.3	13.1	12.8	12.6	12.3	12.1	11.9	11.6	10.8
Principal	15.0	23.0	35.0	57.7	66.7	61.3	61.8	53.6	38.2	27.6	19.6	9.5	5.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.4
PRGT+GRA	15.0	23.0	35.0	57.7	66.7	61.3	61.8	53.6	38.2	27.6	19.6	8.9	1.8	-	-	-	-	-	-	-	-	-
RST	-	-	-	-	-	-	-	-	-	-	-	0.6	3.8	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.4
Outstanding IMF credit based on existing and prospective drawings																						
SDR millions	1,090.2	1,206.1	1,233.7	1,074.6	890.6	721.3	550.8	403.0	297.5	221.4	167.4	141.2	125.9	112.1	98.3	84.5	70.7	56.9	43.1	29.3	15.5	3.5
PRGT+GRA	1,090.2	1,137.1	1,095.7	936.6	752.6	583.3	412.8	265.0	159.5	83.4	29.4	4.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RST	0.0	69.0	138.0	138.0	138.0	138.0	138.0	138.0	138.0	138.0	138.0	136.3	125.9	112.1	98.3	84.5	70.7	56.9	43.1	29.3	15.5	3.5
CFAF billions	880.2	969.5	993.7	867.6	723.0	589.9	450.5	329.6	243.3	181.1	136.9	115.5	103.0	91.7	80.4	69.1	57.8	46.6	35.3	24.0	12.7	2.8
Percent of government revenue	18.6	19.0	18.4	14.8	11.4	8.8	6.4	4.3	3.0	2.1	1.4	1.1	0.9	0.8	0.6	0.5	0.4	0.3	0.2	0.1	0.1	0.0
Percent of exports of goods and services	16.2	16.8	16.1	13.7	11.0	8.6	6.2	4.2	2.9	2.0	1.5	1.1	1.0	0.8	0.7	0.5	0.4	0.3	0.2	0.1	0.1	0.0
Percent of debt service[2]	98.0	117.5	114.7	103.9	81.7	75.0	50.9	31.8	22.0	16.0	13.3	10.0	8.5	7.2	5.9	4.8	3.7	2.8	2.0	1.2	0.6	0.1
Percent of GDP	3.0	3.0	2.9	2.3	1.8	1.4	1.0	0.7	0.5	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Percent of quota	395.0	437.0	447.0	389.3	322.7	261.3	199.6	146.0	107.8	80.2	60.7	51.2	45.6	40.6	35.6	30.6	25.6	20.6	15.6	10.6	5.6	1.3
PRGT+GRA	395.0	412.0	397.0	339.3	272.7	211.3	149.6	96.0	57.8	30.2	10.7	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RST	0.0	25.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	49.4	45.6	40.6	35.6	30.6	25.6	20.6	15.6	10.6	5.6	1.3
Net use of Fund credit (SDR millions)	124.2	115.9	27.6	-159.2	-184.0	-169.3	-170.5	-147.8	-105.5	-76.1	-54.0	-26.3	-15.3	-13.8	-13.8	-13.8	-13.8	-13.8	-13.8	-13.8	-13.8	-12.1
Disbursements	165.6	179.4	124.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	41.4	63.5	96.6	159.2	184.0	169.3	170.5	147.8	105.5	76.1	54.0	26.3	15.3	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	12.1
Memorandum items: (CFAF billions)																						
Nominal GDP	29,704	32,063	34,822	37,515	40,216	42,770	45,564	48,701	51,977	55,497	59,262	63,292	67,605	72,223	77,169	82,466	88,129	94,198	100,699	108,054	115,971	124,494
Exports of goods and services	5,422	5,785	6,156	6,348	6,569	6,850	7,321	7,838	8,331	8,864	9,436	10,051	10,713	11,425	12,191	13,017	13,904	14,861	15,891	17,039	18,282	19,628
Government revenue	4,743	5,106	5,409	5,843	6,315	6,741	7,077	7,612	8,165	8,783	9,506	10,287	11,081	11,965	12,940	14,017	15,232	16,569	18,069	19,804	21,766	23,987
Debt service[2]	898	825	867	835	884	787	886	1,036	1,106	1,134	1,026	1,155	1,216	1,273	1,352	1,452	1,548	1,668	1,800	1,942	2,062	2,200
Gross reserves	3,152	3,697	3,947	4,019	4,114	4,365	4,618	4,875	5,100	5,400	5,973	6,539	7,231	7,989	8,880	9,907	10,785	11,616	12,702	13,902	15,271	15,294
CFAF per SDR (period average)	807.4	803.8	805.5	807.4	811.8	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9	817.9

Source: IMF staff calculations.

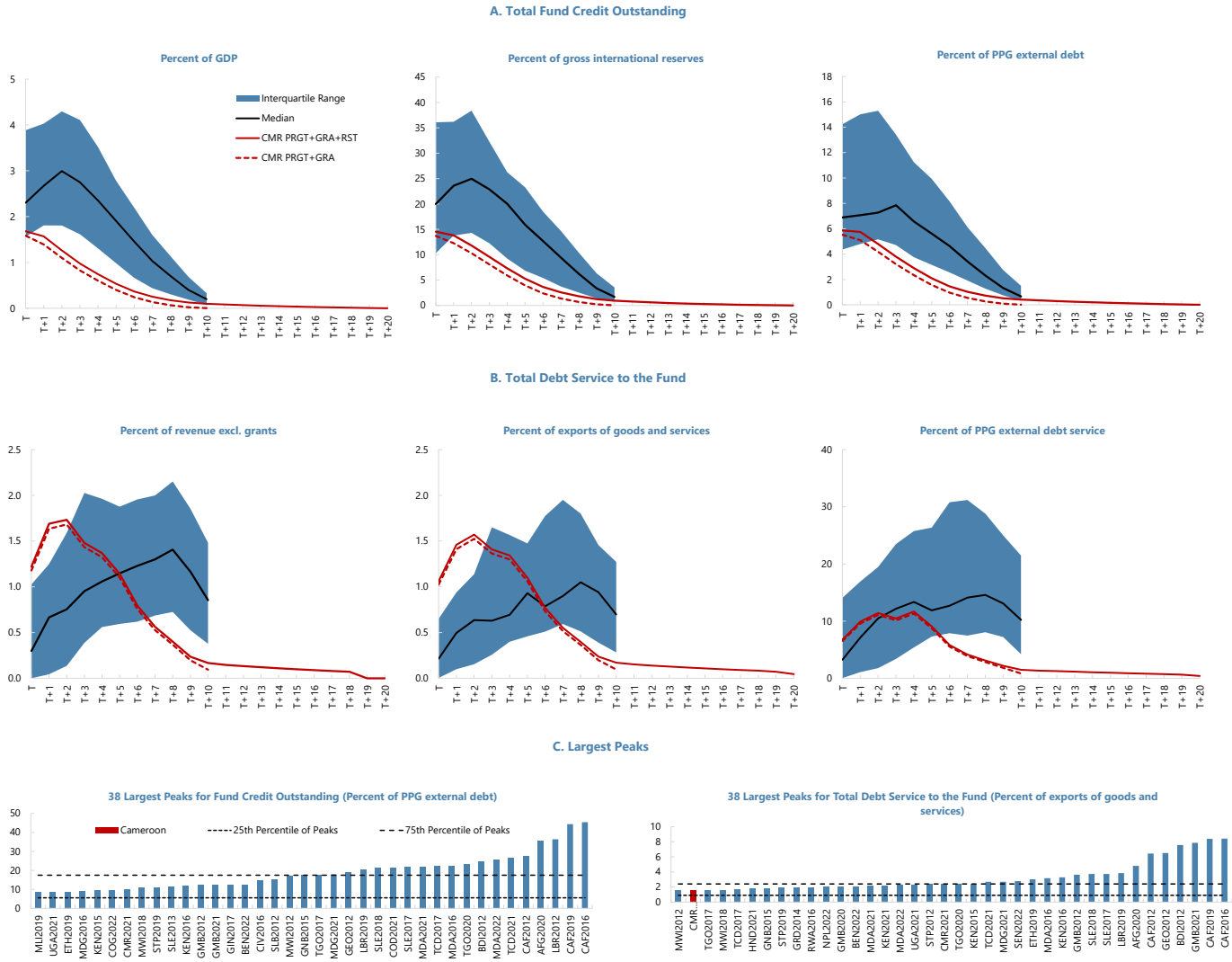
1/ On, July 14, 2021, the IMF Executive Board approved a modified interest rate setting mechanism which effectively sets interest rates to zero on ECF and SCF through July 2023 and possibly longer, while interest rate on RCF (Rapid Credit Facility) remains at zero percent, in line with the Executive Board's decision in 2015. Based on these decisions, the following interest rates are assumed beyond July 2023: 0/0/0 percent per annum for the ECF, SCF and RCF, respectively. The Executive Board will review the interest rates on concessional lending by end-July 2023 and every two years thereafter.

2/ Total debt service includes IMF repurchases and repayments.

Quota (in SDRs) 276,000,000

Figure 1. Cameroon: Capacity to Repay Indicators Compared to UCT Arrangements for PRGT Countries

(In percent of the indicated variable)



Notes:1) T = date of arrangement approval. PPG = public and publicly guaranteed.
2) Red lines/bars indicate the CtR indicator for the arrangement of interest.
3) The median, interquartile range, and comparator bars reflect all UCT arrangements (including blends) approved for PRGT countries between 2012 and 2022.
4) PRGT countries in the control group with multiple arrangements are entered as separate events in the database.
5) Comparator series is for PRGT arrangements only and runs up to T+10.
6) Debt service obligations to the Fund reflect prospective payments, including for the current year.
7) In the case of blenders, the red lines/ bars refer to PRGT+GRA. In the case of RST, the red lines/ bars refer to PRGT+GRA+RST.

Table 6. Cameroon: Financial Soundness Indicators, 2016–23Q2

(Percent)

	2016	2017	2018	2019	2020	2021	2022	2023	
								Q1	Q2
Capital adequacy									
Total bank regulatory capital to risk-weighted assets[1]	9.1	9.7	10.8	10.7	13.8	14.2	15.0	14.4	16.3
Total capital (net worth) to assets	4.3	4.5	5.0	5.1	6.5	6.5	6.7	6.4	7.0
Total assets (growth)	7.3	4.9	10.3	11.1	8.5	15.9	17.4	20.3	19.3
Asset quality									
Non-performing loans (gross) to total loans (gross)	10.7	10.8	12.4	12.8	13.4	14.1	13.0	13.6	15.4
Non-performing loans less provisions to regulatory capital	17.7	9.1	11.8	11.1	11.7	11.6	13.8	17.7	29.6
Earnings and profitability									
Return on equity[2]	1.3	17.0	14.2	16.0	6.4	28.8			17.8
Return on assets	0.8	2.0	1.8	2.1	0.9	3.9			2.3
Non interest expense to gross income	92.9	89.2	87.7	96.6	89.3	84.3			62.5
Liquidity									
Liquid assets to total assets	23.2	24.2	26.4	25.9	30.1	30.3	31.4	33.2	29.8
Liquid assets to short-term liabilities	148.7	149.3	162.4	161.9	182.4	189.3	187.7	200.2	186.8
Credit									
Gross loan (banks' book) - bn FCFA	3437	3513	3741	3819	4119	4566	4961	5093	5297
Gross loan - annualized growth rate	6.0	2.2	6.5	2.1	7.9	10.9	8.6	12.4	12.2
Other									
Foreign-currency-denominated loans to total loans	0.7	2.8	1.0	0.8	0.5	0.1	0.1	0.1	0.1
Foreign-currency-denominated liabilities to total liabilities	0.2	0.1	0.1	0.1	0.1	2.1	5.8	9.4	7.7

Source: Banking Commission of Central Africa (COBAC).

1/ Calculated according to the Basel I guidance.

2/ Return in ROE is calculated based on annualized net profit before tax.

Table 7. Cameroon: Schedule of Disbursements and Purchases Under ECF and EFF, 2021–25

Availability Date	Conditions for Disbursement	Amount (Percent of Quota)[1]			Amount (Millions of SDRs)		
		Total	ECF	EFF	Total	ECF	EFF
7/29/2021	Executive Board approval of the ECF & EFF Arrangements.	45.0	15.0	30.0	124.2	41.4	82.8
12/15/2021	Observance of the performance criteria for July 30, 2021 and completion of the first review under the arrangements	30.0	10.0	20.0	82.8	27.6	55.2
6/15/2022	Observance of the performance criteria for December 31, 2021 and completion of the second review under the arrangements	20.0	6.7	13.3	55.2	18.4	36.8
12/15/2022	Observance of the performance criteria for June 30, 2022 and completion of the third review under the arrangements	20.0	6.7	13.3	55.2	18.4	36.8
6/15/2023	Observance of the performance criteria for December 31, 2022 and completion of the fourth review under the arrangements	20.0	6.7	13.3	55.2	18.4	36.8
12/15/2023	Observance of the performance criteria for June 30, 2023 and completion of the fifth review under the arrangements	20.0	6.7	13.3	55.2	18.4	36.8
6/15/2024	Observance of the performance criteria for December 31, 2023 and completion of the sixth review under the arrangements	20.0	6.7	13.3	55.2	18.4	36.8
12/15/2024	Observance of the performance criteria for June 30, 2024 and completion of the seventh review under the arrangements	20.0	6.7	13.3	55.2	18.4	36.8
6/3/2025	Observance of the performance criteria for December 31, 2024 and completion of the eighth review under the arrangements	20.0	6.7	13.3	55.2	18.4	36.8
Total		***215.0***	***71.7***	***143.3***	***593.4***	***197.8***	***395.6***

Source: IMF staff calculations.
1/ Cameroon's current quota is SDR 276.0 million.

Table 8. Cameroon: External Financing Needs and Sources
(CFAF, billions)

	2023	2024	2025	2026	2027	2028
Total Financing Requirements	**1582**	**2079**	**1796**	**1861**	**1983**	**2088**
Current Account Deficit	884	896	866	1037	1085	1161
Amortization of PPG Debt	737	694	735	752	803	677
Gross Reserves Accumulation (+ = increase) (without RSF)	-39	489	194	72	95	251
Financing Sources	**1397**	**1827**	**1692**	**1861**	**1983**	**2088**
Capital Account	35	38	41	45	40	21
Financial Account	1361	1789	1650	1816	1943	2067
Financing Gap	**186**	**253**	**104**	**0**	**0**	**0**
Additional/Exceptional Financing Sources	**186**	**253**	**104**	**0**	**0**	**0**
IMF Financing	**136**	**89**	**44**	**0**	**0**	**0**
ECF	*45*	*30*	*15*	*0*	*0*	*0*
EFF	*91*	*59*	*30*	*0*	*0*	*0*
Budget Support (excl. IMF)	**50**	**164**	**60**	**0**	**0**	**0**
AfDB	*23*	*18*	*0*	*0*	*0*	*0*
WB	*0*	*120*	*60*	*0*	*0*	*0*
France	*27*	*26*	*0*	*0*	*0*	*0*
EU	*0*	*0*	*0*	*0*	*0*	*0*
Other	*0*	*0*	*0*	*0*	*0*	*0*
Exceptional Financing	**0**	**0**	**0**	**0**	**0**	**0**
Residual gap	**0**	**0**	**0**	**0**	**0**	**0**
Memorandum items						
RSF disbursement	0	55	56	0	0	0
Reserve accumulation (with RSF)	-39	545	250	72	95	251

Source: Country authorities and IMF staff calculations.

Table 9. Cameroon: Proposed Schedule of Disbursements and RMs Availability Dates Under the RSF

Availability Date	Conditions of Access	Percent of Quota[1]	SDR, million
1/22/2024	RSF approval	0	0
6/15/2024	Completion of RSF review of reform measure 1 implementation	6.25	17.25
6/15/2024	Completion of RSF review of reform measure 3 implementation	6.25	17.25
12/15/2024	Completion of RSF review of reform measure 4 implementation	6.25	17.25
12/15/2024	Completion of RSF review of reform measure 6 implementation	6.25	17.25
6/3/2025	Completion of RSF review of reform measure 2 implementation	6.25	17.25
6/3/2025	Completion of RSF review of reform measure 5 implementation	6.25	17.25
6/3/2025	Completion of RSF review of reform measure 7 implementation	6.25	17.25
6/3/2025	Completion of RSF review of reform measure 8 implementation	6.25	17.25
Total		***50.0***	***138.0***

Source: IMF staff calculations.
1/ Cameroon's current quota is SDR 276.0 million.

Table 10. Cameroon: Proposed RSF Reform Measures (RMs) and Timeline for Completion

Main Pillars	Key Challenge	Reform Measure	Diagnostic Reference	CD (Capacity Development) Input	RM Expected Outcome	Target Date
Strengthening climate governance framework and coordination	Complex institutional arrangements and lack of coordination	**RM1.** Issue a regulatory act that: (i) defines the central role of the MINEPDED as the key authority responsible for the coordination of the climate agenda supported by the Ministry of Economy, Planning, and Land Planning (MINEPAT) and the Ministry of Finance (MINFI); and (ii) defines the roles and responsibilities of other sector ministries and public agencies in implementing the climate agenda. [PM (Prime Minister) Office or President's Office]	PEFA, CCDR		Strengthening the framework for coordinating and managing activities, policies and program across government agencies related to climate change	End-April 2024
	Lack of an implementation strategy	**RM2.** Develop and adopt an NCP validated by the Prime Minister, in line with the 2021 NDC, that (i) states key climate actions, targets, policies, and measures by the government to address adaptation and mitigation challenges; and (ii) defines roles and responsibilities of sector ministries and public agencies in implementing the NCP. The NCP to be published on the MINEPDED website. [PM Office and MINEPDED]	CCDR		Establishing a comprehensive framework and guidance for integrating climate change adaptation into national development planning and decision-making processes.	End-April 2025
Mainstreaming the climate agenda into the PFM processes	The project selection criteria do not follow a multi-criteria assessment (MCA) methodology and does not include climate project selection criteria	**RM3**. MINEPAT, in collaboration with the other ministries concerned, will define and publish the criteria for prioritization and selection of projects integrating climate change-related criteria and develop a manual of selection procedures. [MINEPAT]	CCD, CCIA, PEFA, PIMA	FADM2	Enhanced climate sensitive public investment planning and budgeting.	End-April 2024
		RM4. MINEPAT will define a methodology for ex-ante evaluation of investment projects including guidelines for climate change adaptation and mitigation, and integrate this methodology into a project maturation guide. [MINEPAT]	CCDR, CCIA, PEFA, PIMA	FADM2	Generate a robust pipeline of green and climate resilient projects.	End-October 2024

Table 10. Cameroon: Proposed RSF Reform Measures (RMs) and Timeline for Completion (concluded)

		RM5. Revise Decree 2018/4992 of 21 June 2018, which sets out the rules governing the project maturation process and Decree 2013/7987 on the creation, organization and functioning of the Monitoring Committees for the Physical-Financial Execution of Public Investment to integrate climate considerations into each phase of the investment project cycle (e.g., ex-ante evaluation, selection). [MINEPAT]	CCDR, CCIA, PEFA, PIMA	FADM2	Quality-assured as well as green and climate resilient projects are included into the PIP, and capital budget execution is improved.	End-April 2025
Enhancing adaptation efforts		**RM6.** Adopt and promulgate the revised Civil Protection Law and update Order no. 037/PM on creation, organization, and operation of a National Risk Observatory (ONR). [President's Office]	CCDR		Improving disaster preparedness and enabling better disaster prevention and climate adaptation.	End-October 2024
		RM7. Develop and adopt a Disaster Risk Financing Strategy, with clear roles and responsibilities and milestones to build financial resilience against disasters. [MINFI/MINEPDED]	CCDR			End-April 2025
Supporting mitigation efforts		**RM8.** The government will raise taxes on the deforestation-related commodities cocoa and timber, while granting tax rebates to companies that prove, using accredited sustainability certificates, that the commodity was produced with lower environmental impact than the industry's standard production method. [MINFI]	CCDR		Strengthening sustainability of the forestry sector	End-April 2025

Annex I. Climate Change in Cameroon: Key Challenges and Reform Priorities[1]

A. Outline

1. Climate change is an imminent threat to the people and the economy of Cameroon. It is expected to result in significant output losses, and to exacerbate poverty and inequality, food insecurity and conflict risk, leading to increased population displacements. Climate-related losses in output would impede export capacity, and may increase imports either to cope with food, sanitation, and health needs during crises or to invest in rebuilding after crises. Therefore, climate change will also increase balance of payments needs and require fiscal space. Social and economic impact would affect human capital accumulation, jeopardize development, and hinder inclusive growth.

2. Cameroon needs to step up both its adaptation and mitigation efforts. The World Bank's Climate Change and Development Report (CCDR) estimates that Cameroon will incur GDP losses ranging from 4 to 10 percent in the most pessimistic scenario by 2050 due to climate change, if no adaptation action is taken. Cameroon is vulnerable to climate change and natural disasters, in particular, through its impact on human capital and economic sectors such as agriculture and infrastructure. Being a hydrocarbon producer and exporter, the country should also advance its mitigation efforts and reforms to further energy transition, as the global low carbon transition could lead to spillovers risks, including to the country's financial stability.

3. Advancing the climate agenda has been slow due to weaknesses in the institutional and policy framework for climate change. There is still a lack of a comprehensive legal and regulatory framework governing climate reforms. Climate considerations are yet to be effectively integrated in the Public Financial Management (PFM) framework, including in fiscal planning and public investment management. The government also faces capacity constraints and lacks an effective coordination mechanism; it is yet to operationalize its institutional and governance frameworks to respond to climate challenges.

4. Mobilizing climate finance is a serious challenge for the authorities. In the near term, the main source of climate-related financing will likely remain donor financing. Going forward, Cameroon needs to develop its capital markets to harvest the potential private funding for climate investments and engage the private sector in supporting its climate agenda.

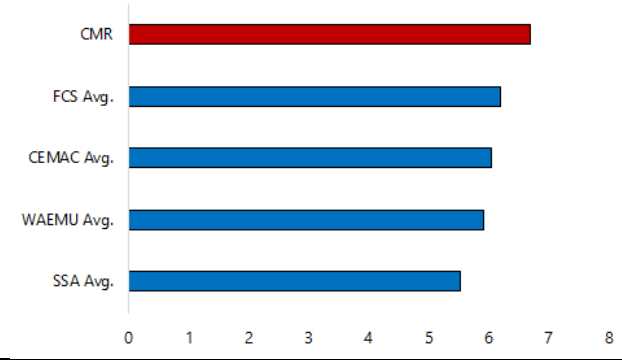
The rest of the note is structured as follows. Section 2 presents the context in Cameroon. Section 3 identifies key challenges related to climate change and priority reform areas.

[1] Prepared by Idossou Adom, Kaihao Cai, Asel Isakova, and Balazs Stadler (AFR).

B. Context

5. Cameroon is ranked 16th most vulnerable to impacts of climate change globally (Text Figure 1).[2] Climate hazards are getting more severe in Cameroon. Temperatures are getting progressively warmer, with the temperature increase especially pronounced in recent years (Text Figure 2), and this trend is projected to continue. While precipitation projections are less certain, models predict an increase in the number of heavy precipitation days.[3] Extreme weather events, such as droughts and floods, are increasingly reported – with the number of recorded events doubling in the past three decades (Text Figure 3).[4] These changes have a significant impact on the society and the economy, causing both immediate damages and long-term output losses. Climate change is projected to cause a GDP loss between 4 to 10 percent by 2050, with larger output losses in the most pessimistic scenario and if no adaptation action is taken- according to the World Bank CCDR.[5] It is important to note that such estimates do not incorporate all of the impact channels outlined below.

Figure 1. Cameroon: Climate Change Vulnerability
(Higher value indicates higher vulnerability)



Source: Climate-related INFORM Risk Indicator, 2022 and IMF staff calculations.
Note: The Climate-related INFORM Risk Indicator includes three sub-indicators for components of risk: vulnerability, lack of coping capacity, hazards & exposures. The figure shows the vulnerability sub-indicator.

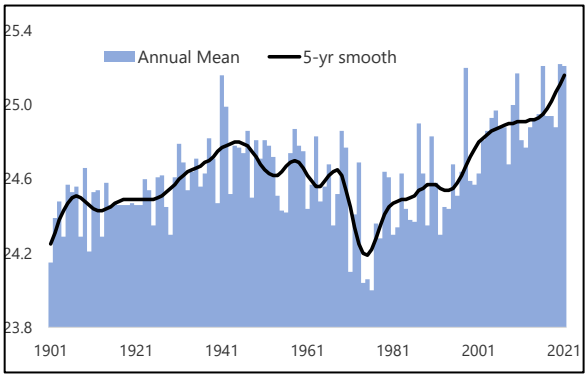
[2] Based on the 2022 Climate-driven INFORM Risk indicator, which is based on the European Union's INFORM Risk Indicator, adjusted by the IMF staff to focus only on climate risks. It has three subcomponents: coping capacity, hazards and exposure, and vulnerability. The index and its subcomponents range from 0 to 10, with larger values indicating higher risks. The vulnerability dimension represents economic, political, and social characteristics of the community that can be destabilized in case of a hazardous event. Cameroon's 2022 vulnerability index is the 16th largest globally, and it ranks 41st in terms of the total INFORM Risk Indicator (for details on the methodology, see Marin Ferrer M, Vernaccini L and Poljansek K. INFORM Index for Risk Management: Concept and Methodology, Version 2017. EUR 28655 EN. Luxembourg (Luxembourg): Publications Office of the European Union; 2017. JRC106949)

[3] Potsdam Institute for Climate Impact Research, 2022, Climate Risk Profile: Cameroon.

[4] IDMC (Internal displacement monitoring center). Cameroon | IDMC – Internal Displacement Monitoring Centre (internal-displacement.org); EM-DAT.

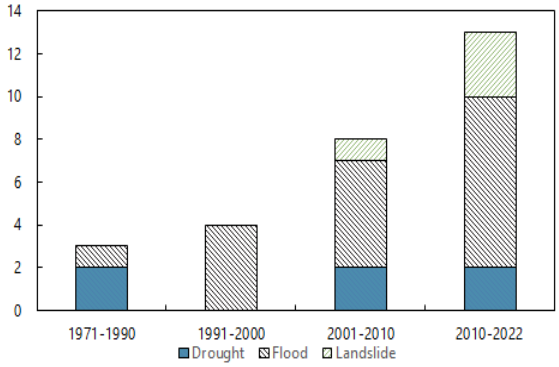
[5] World Bank CCDR, 2022. The results are reported for three Representative Concentration Pathways—RCP2.6, RCP4.5 and RCP8.5, the largest effect being under RCP8.5.

Figure 2. Cameroon: Observed Annual Mean Temperature, 1901-2021



Source: World Bank Group, Climate Change Knowledge Portal (2023).

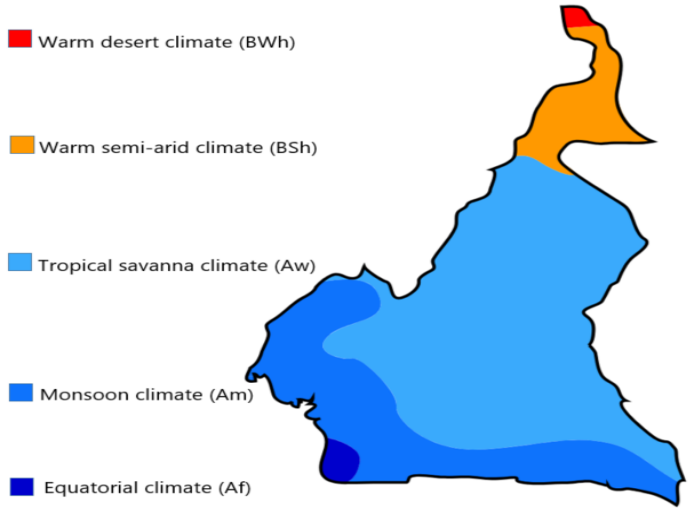
Figure 3. Cameroon: Natural Disasters



Source: EM-DAT, CRED / UCLouvain, Brussels, Belgium.
Note: EM-DAT reports natural disasters if it affects at least 100 or more people, or causes at least 10 deaths, or there's a declaration of state emergency, or call for international assistance. The increase in recent years may also be partially driven by better monitoring and measurement of such events.

6. Geographical diversity exposes Cameroon to diverse climate shocks. While some areas are less vulnerable to climate risks, all regions face their specific challenges, and failing to address them may lead to spillovers to other regions and the economy as a whole. Northern regions in the desert and semi-arid areas are most vulnerable to climate change and exposed to droughts and desertification. Historically, between 20 and 50 percent of the Extreme North's population has been affected by droughts.[6] Central and coastal regions experience heavy rainfalls and floods, which often take lives and damage vital infrastructure. The sea-level rise damages Cameroon's coastline and will continue causing costal erosion. South Cameroon is the least affected by climate events, but deforestation and mining activities undermine conservation efforts of the second largest carbon sink of the world, the Congo Basin.

Figure 4. Cameroon: Climate Classification

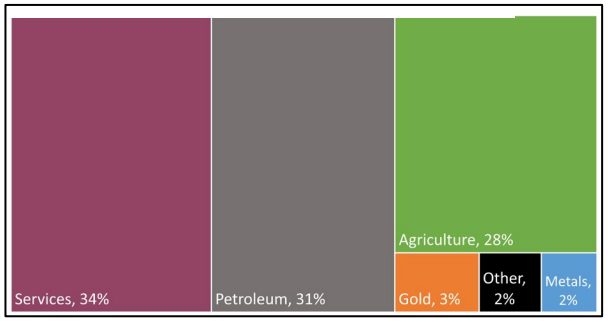


Source: Beck et al., (2018).

[6] UNDRR and CIMA (2019). Cameroon Disaster Risk Profile.

7. Climate change is expected to affect agriculture the most, reducing output, exports, and incomes, and increasing food insecurity. Agriculture in Cameroon employs over 70 percent of the population[7], and accounts for almost a third of export earnings—most important after the crude oil (Text Figure 5). It is mainly rainfed, and thus, crop cultivation is highly dependent on changes in precipitation. Higher temperatures and heat stress are expected to affect agriculture through their direct impact on labor productivity, lower crop yields, and other heat-related human health shocks.[8] Subsistence farming is widespread, in particular, in rural areas, and often relies on traditional farming methods and outdated technologies, making it especially vulnerable to weather shocks. Major subsistence crops, including cassava, maize, and rice, have already experienced drop in yields due to climate-related factors, with a particularly large drop in the Northern regions. For example, the maize yield in Far North declined by over 20 percent in 1998-2012.[9] Overall, agriculture is projected to lose between 6 to almost 14 percent of output by 2050 due to climate change.[10]

Figure 5. Cameroon: Export Structure, 2019



Source: Hausmann, et al. (2013), staff calculations.

8. Climate change is also expected to impact livestock farming, fishing, and aquaculture. Livestock farming contributes about 13 percent to the agricultural output and employs 30 percent of the rural population, mainly in the Northern and Western parts of the country. Changes in weather patterns impact availability of water and food for livestock, their migration patterns, disease spread, and thus, animal health and productivity. The sector of fishing and aquaculture is also important for livelihoods and the economy with access to the Atlantic Ocean, and numerous rivers and lakes; Cameroon is one of the most dependent on marine food, with one of the largest projected decline catch potential due to climate change, according to the IPCC.[11] Moreover, it threatens livelihoods through lower incomes and access to food in an already highly food insecure environment: about 2.4 million people were severely food insecure in June 2023.[12]

9. Climate change is expected to limit water availability, particularly in northern Cameroon. Compared to other countries in Africa, Cameroon has abundant surface water resources, due to high precipitation throughout most of the year and in most parts of the country. However, there is high seasonality and regional variation in water availability (with water scarcity in Lake Chad

[7] World Bank, CCDR, 2022.

[8] World Bank CCDR, 2022.

[9] World Bank CCDR, 2022.

[10] World Bank CCDR, 2022. The impact depends on the scenario with the lowest losses in RCP2.6 and highest losses in the most pessimistic (RCP 8.5) scenario, assuming no reform.

[11] Trisos et al. (2022).

[12] WFP Cameroon Country Brief, June 2023.

region, for example). More intense use of water resources by agriculture and industry are also likely to impact demand for water and its availability.

10. Climate change would limit resources and, in turn, likely aggravate conflict and fragility risks. Cameroon, being a fragile and conflict affected state, has suffered years of conflict in its Extreme North, and Northwest and Southwest regions. In the Extreme North, bordering the Lake Chad Basin, competition over water and land had been driving conflict before the violence by the insurgent groups erupted in 2009.[13] Competition over resources will likely increase, with increased scarcity of water supply and increasing food insecurity. As of March 2023, over one million people in the country were internally displaced (IDPs) due to violence and climate hazard, and there were almost half a million refugees and asylum seekers, including from neighboring countries.[14] In the Extreme North, over 60 percent of recent displacements were caused by floods. Recent intercommunal violence in Cameroon's Logone Birni commune in Extreme North region, reflected growing tensions among fishing, farming, and herding communities, and the broader developments in the region. Climate shocks strain fragile states even further, acting as a threat multiplier, where consequences of climate change, including resource scarcity, food insecurity, and human displacement will likely aggravate conflict and violence.

11. Natural disasters damage infrastructure and thus affect people and economic activity. Road infrastructure in Cameroon is particularly vulnerable to weather shocks. Over 94 percent of roads in Cameroon are unpaved and only 11 percent of the national and regional road networks are considered in good condition.[15] More frequent floods and landslides are likely to damage and block roads—about 274 km of the transportation system (about 0.2 percent of all roads) is affected every year.[16] The average annual economic losses due to floods are estimated to be around US$130 million (or about 0.3 percent of the GDP) – according to the UNDRR.[17] Even if the direct damage to roads will presumably be small (around 0.06 percent of GDP due to multi-hazard risk based on a study cited by the IPCC),[18] indirect costs are likely to be sizeable, as frequent disruptions to trade, movement of people, and goods will have consequences for food security and economic productivity. There can also be an impact on the neighboring countries that rely on the port infrastructure in Cameroon, e.g., ports of Douala and Kribi, such as Chad and the Central African Republic.

12. Climate change poses a threat to human capital accumulation and labor productivity. Cameroon ranks 151 out of 191 countries in the 2022 Human Development Index,[19] with human

[13] Over the last 60 years, the lake Chad has shrunk in size by 90 percent due to pressures on the use of water, droughts, and the impact of the climate change. This has destroyed livelihoods and led to loss of biodiversity. This has also caused resource-based conflicts, especially due to water scarcity. (Osano, 2022).

[14] Cameroon: Humanitarian Dashboard (January to March 2023).

[15] World Bank CCDR, 2022.

[16] UNDRR and CIMA (2019). Cameroon Disaster Risk Profile. And MINTP (2020).

[17] UNDRR and CIMA (2019). Cameroon Disaster Risk Profile.

[18] Koks et al. (2019).

[19] UNDP 2022.

capital development lagging in many areas. Children in Cameroon are the 10th most exposed and vulnerable to climate risks in the world.[20] Climate impacts health and education directly through heat-related illnesses and damages to education infrastructure.[21] For example, the floods in September 2022 damaged or destroyed 88 schools, in addition to more than 9,000 homes.[22] Climate shocks can also impact human capital indirectly through limiting peoples' ability to invest in healthcare and education due to income losses because of climate-related events. A study cited by the IPCC, found that a decline of plantain productivity by 43 percent was due to the temperature increase, and was associated in 6 months lower school attendance on average due to lower parental investment in education.[23] In addition climate change will likely contribute to spread of water-borne and food-borne diseases, though the exact impact is unknown.[24] World Bank estimates show that about 60 percent of the loss to GDP by 2050 due to climate change would come from direct labor productivity losses.[25]

13. Climate change exacerbates existing inequalities and poverty. Climate change affects the poor more. Over 55 percent of Cameroonians live in poverty which affects several aspects of their lives, including health, education, living conditions and work. About 38 percent are severely impoverished, with the poverty incidence particularly high in rural parts of the Extreme North and Eastern regions, where structural underdevelopment and frequent weather shocks, including floods and prolonged dry spells, have a detrimental impact on livelihoods.[26] The very high urban population growth,[27] and poor urban planning and urban infrastructure development that does not account for climate challenges, will also increase inequality among the urban population, where informal settlements around the cities are especially vulnerable.[28]

14. Demographic growth will further increase Cameroon's vulnerability to climate change. A growing population increases pressure on natural resources, exacerbates food insecurity and leads to more GHG emissions. Climate-related shocks tend to affect women more, which is explained by the existing gender inequalities (Panel Figure 2), such as limited access to resources, education, and economic opportunities that complicates their adaptation to climate change challenges. Demographic growth is also driven by high fertility rates in Cameroon explained by women's lack of access to family planning and control of their reproductive choices.

[20] UNICEF (2021). The climate crisis is a child rights crisis.

[21] World Bank CCDR, 2022.

[22] Davies (2022, September).

[23] Fuller et al (2018).

[24] World Bank CCDR, 2022.

[25] World Bank CCDR, 2022. The estimates are for contribution of damages to GDP loss in RCP 4.5.

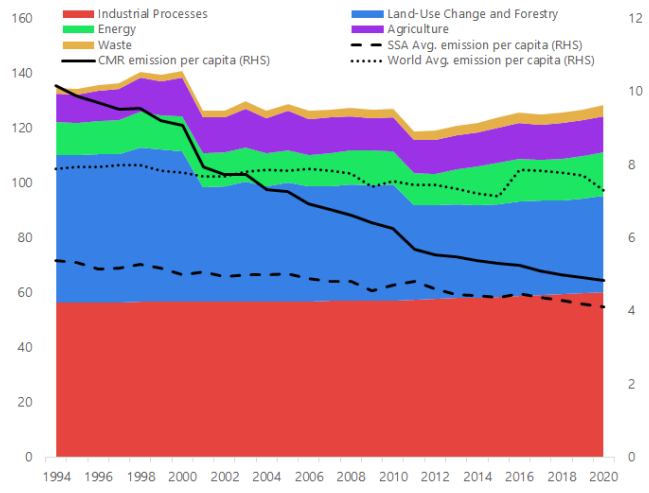
[26] World Food Program: Cameroon.

[27] The World Development Indicators.

[28] Aziz and Kakdeu (2021). The proliferation of informal housing in major cities in Cameroon: evidence, drivers and the way forward.

15. Cameroon's greenhouse gas emissions are only about 0.25 percent of the total global emissions, but higher than the SSA average in per capita terms. The key contributing sectors are industrial process (47 percent) and land-use change and forestry (27 percent), followed by energy (12 percent), agriculture (10 percent) and waste (3 percent). The per capita emissions of the country decreased by about 47.5 percent between 1998 and 2018 but they are still above SSA average (Text Figure 6). Moreover, the emissions per unit of GDP for Cameroon were higher than both the SSA and world averages.[29] As a large hydrocarbon producer, Cameroon should strengthen its mitigation policies, which should support its NDC commitments and also yield social and economic benefits. Strengthening mitigation efforts will also dampen the risk of a carbon lock-in, where the continued reliance on fossil fuels for development significantly increases the cost of switching to cleaner energy sources in the future.

Figure 6. Cameroon: GHG Emissions
(MtCO2e, tCO2e per Person)



Source: Climate Watch, staff calculations.

C. Key Climate Challenges and Reform Priorities

Strengthening Institutions

16. Cameroon places climate change among key challenges in its development strategy. The National Development Strategy (SND30) identifies adaptation and mitigation to climate change as key objectives to achieve sustainable and inclusive growth. As part of the implementation of the strategy, the authorities plan to: (i) strengthen actions relating to sustainable management of natural resources; and (ii) take adequate measures to adapt to and mitigate the effects of climate change. In addition, in order to address the consequences of climate change, including floods and landslides in some cities and rural areas, the Government is committed to: (i) ensure that climate change concerns are taken into account in sectoral strategies and policies, both in formulation and implementation; (ii) build the capacity of institutions responsible for climate surveillance; (iii) operationalize the system for monitoring, preventing, and responding to the effects of climate change; and (iv) develop and implement a national waste management strategy while promoting corporate social responsibility. Vision 2035 also emphasizes and recognizes the importance of climate change and its economic and social impact.

17. Cameroon has taken important steps towards building the institutional framework governing its climate policies. The key climate change policy documents are the National Climate Change Adaptation Plan 2015–19, which is accompanied by a costed implementation plan, and

[29] World Bank CCDR, 2022.

Nationally Determined Contribution (NDC) updated in 2021. Cameroon had signed key international conventions on climate change, has developed strategies in some sectors, e g., in agriculture and water. Several regional and municipal governments adopted local Climate Change Action Plans (CCAP). The central role in Cameroon's NDC institutional mechanism was given to the Ministry of Environment, Nature Protection and Sustainable Development (MINEPDED) and its agency, the National Observatory on Climate Change (ONACC).

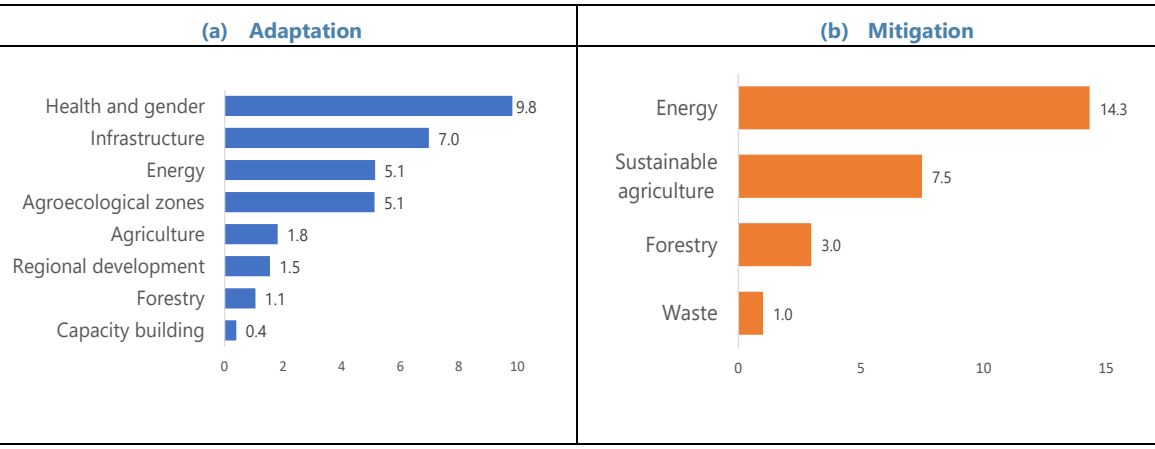
18. However, important challenges remain in the implementation of climate policies. First, both central and local governments face resource and technical capacity constraints in implementing adopted plans. Second, there is still no comprehensive regulatory framework that would require integrating climate change into the government's policy, planning instruments and processes. Finally, there is a lack of an effective coordination mechanism across arms and levels of government. This leads to duplication of functions and mandates with other agencies, which warrants clearly defining roles and responsibilities across ministries and designing appropriate coordination processes.

19. PEFA diagnostic conducted in 2023 revealed that climate change considerations are poorly integrated into Cameroon's PFM framework. Climate risks are not considered in fiscal planning tools, such as macroeconomic forecasting and medium-term budget expenditure framework. There are no formal definitions in the budget nomenclature of expenditures related to climate, which impedes their effective monitoring and evaluation. Budget evaluation and audit do not consider the impacts on climate risks. Valuation of fixed assets do not take into account their exposure and vulnerability to climate change.

20. Public investment management lacks the framework to mainstream climate considerations in the project cycle. Cameroon envisages multiples projects to enhance its adaptation efforts, in particular, by improving the resilience of the national healthcare system, infrastructure, and agriculture. Key objectives and projects are outlined in the NDC. Priority areas include promoting climate smart agriculture, building resilient energy and transport infrastructure, diversification of energy supply, disaster risk reduction, and improving population resilience. The NDC estimates financing needs to support adaptation projects at over US$32 billion until 2030 (Text Figure 7). However, implementation of these projects is challenging due to lack of the framework to mainstream climate considerations in the public investment cycle. Projects addressing climate risks are not prioritized in the investment project selection, and climate-related considerations are not taken into account in procurement.

Figure 7. Cameroon: Adaptation and Mitigation Financing Needs Outlined in NDC

(bn CFAF)



Source: Cameroon NDC, 2021.

Building Resilient Agriculture and Infrastructure

21. Cameroon puts emphasis on enhancing adaptation efforts in agriculture and infrastructure. Priority areas outlined in the NDC include promoting climate-smart agriculture, building resilient energy and transport infrastructure, diversification of energy supply, disaster risk reduction, and improving population awareness and capacity. There are several challenges that hinder adaptation efforts, such as limited access to modern inputs and technologies, inadequate infrastructure, and financing constraints.

22. Building resilient infrastructure is crucial for the long-term economic health of Cameroon, especially for the agricultural sector. There are significant linkages between infrastructure and agriculture that become crucial in the context of climate change. These linkages include physical, digital, and social infrastructure that support agriculture, including transport, irrigation and water management, energy, storage, and processing. Infrastructure in general is important for the development of sustainable and productive agricultural systems. However, frequent extreme weather events, such as rainfalls and floods, damage infrastructure, disrupting the transportation and storage of food products. Building resilient infrastructure can promote sustainable farming and protect environment.

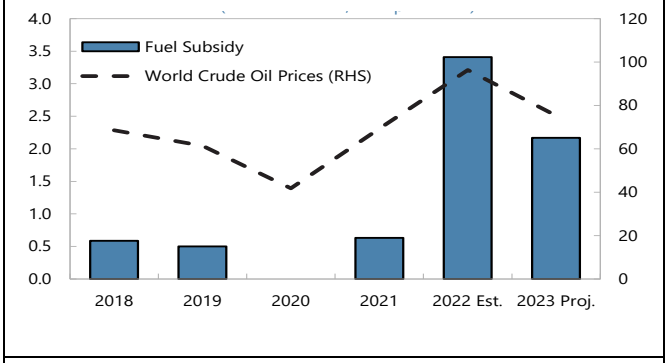
Advancing Mitigation Efforts

23. Under the NDC, Cameroon committed to reduce greenhouse gas emissions by 35 percent by 2035 relative to 2010, including an unconditional target of 12 percent. The NDC outlined specific sectors and activities targeted for emissions reduction: energy (including transportation), forestry, agriculture, and waste management (Text Figure 7). Cameroon committed to promoting renewable energy sources such as hydropower, solar, and wind energy. It also aims to improve energy efficiency to reduce emissions from the energy sector. Cameroon also recognized the importance of climate-smart agriculture practices to reduce emissions and enhance food

security, through improved land management, agroforestry, and sustainable farming techniques. This reduction target is conditional on receiving international support in the form of finance, technology transfer, and capacity building.

24. Phasing out fuel subsidies should be part of the effective mitigation strategy. Cameroon's government subsidizes fuel consumption by fixing the local pump prices for domestic fuel consumption. Soaring oil prices in 2021-22 have resulted in a considerable increase in the fiscal cost of fuel subsidies, estimated at over 1,000 billion CFAF in 2022. While this crowds out other priority spending, the true cost of the fuel subsidy is higher, given its environmental costs. In addition, the fuel subsidy is not well targeted at the poor and tend to benefit mostly the higher income households. Phasing out the fuel subsidy should be accompanied by social protection measures, which would also contribute to building resilience to climate risks. The authorities are currently working with the World Bank on strengthening their social safety net.

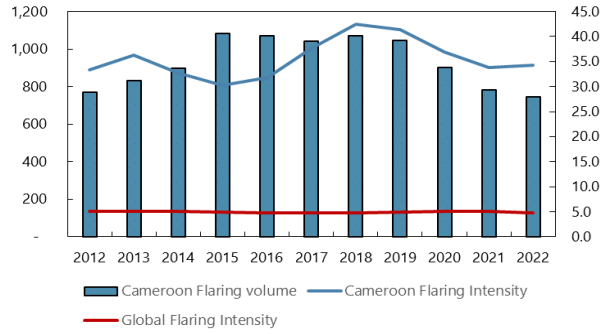
Figure 8. Cameroon: Fuel Subsidy and World Oil Prices



Source: IMF WEO, country authorities, staff estimates and calculations.

25. Rapid deforestation hampers Cameroon's ability to achieve its mitigation objectives. Cameroon has large areas of rainforests of the Congo Basin, the second largest rainforest in the world. It covers about 40 percent of its territory, but unfortunately is subject to considerable deforestation problems related to logging and farming, ineffective forest management, climate change, and growing population. Despite the authorities' conservation efforts, annual rate of deforestation is around 0.6 percent and exceed the rate of reforestation of only 0.1 percent.[30] Given the role of the rainforest in mitigating the climate change, protecting the rainforest and reforestation policies can play a crucial role in addressing climate challenges. Forest conservation and sustainable forest management are also components of Cameroon's NDC. Further strengthening forestry governance and law enforcement against illegal logging would support the policies to reduce deforestation. Promoting eco-tourism would also make the rainforest more valuable and be part of the conservation strategy.

Figure 9. Cameroon: Gas Flaring Volume
(Millions m^3) and Intensity (m^3 per barrel)



Source: NOAA, the Payne Institute at the Colorado School of Mines, World Bank/GGFR.

26. Gas flaring has significant environmental and economic implications. Hydrocarbons represent more than one third of the country's exports, and their exploitation is associated with gas flaring, which contributes to greenhouse gas emissions. Cameroon is among the top 30 countries by volume of gas flaring and has one of the highest

[30] NDC 2021, FAO 2020.

intensities of gas flaring in the world.[31] In addition of greenhouse gas emissions, flaring gas wastes an important resource that could be used for power generation or other purposes. To deal with the problem of gas flaring, several potential solutions exist, such as capturing and utilizing this gas, and imposing penalties on companies to reduce such emissions.

Identifying Financing Sources

27. Estimated climate financing needs are significant. For example, the Climate Policy Initiative suggest that the overall climate financing needs in Cameroon are about USD 60 billion.[32] Addressing these needs would also help at close existing development and infrastructure gaps. These estimates suggest that considerable funding is required to achieve Cameroon's climate goals.

28. In the near term, the main source of climate-related financial flows will likely need to come from official sources of financing.[33] Between 2017 and 2021 Cameroon has received around US$ 2.7 billion in climate-related development financing, mainly from multilateral development banks targeting mitigation goals in the energy sector. About 80 percent of the funds were delivered to the government entities. Introducing green measures in public financial management could be beneficial, for example, climate budget tagging, where budget lines are tagged if they contribute to climate mitigation and adaptation objectives of the country. Moreover, in a country with relatively limited fiscal space, climate budget tagging may need to go beyond climate positive public expenditures and will have to identify high-carbon and climate-vulnerable public spending to support reform measures, such as fuel subsidy reforms. Such policies, if sequenced appropriately and integrated well into the existing PFM framework, could improve management of public finances as well as contribute towards climate goals. These measures also provide a strong signal to donors and reduce uncertainty.

29. Achieving climate objectives will not be possible without private sector involvement. Going forward, mobilization of private sector financing will be key to address climate related challenges. Climate Policy Initiative estimates that in 2019-20, private financing only accounted for about 2.6 percent of total mobilized climate financing.[34] Therefore, participation of the private sector poses a significant challenge to implementing climate policies in Cameroon. Moreover, partnerships with businesses and industry associations can promote sustainable practices, technological innovation, and investment in low-carbon solutions. There is a need for a dynamic and competitive private sector to achieve long-term economic growth and support the country's climate agenda. However, private sector's involvement in climate considerations has so far been limited.

30. Among other obstacles, private sector has been constrained by weaknesses in the national Public–Private Partnerships (PPP) framework. Although the legal framework for PPPs has been in place for over a decade, management of PPPs varies among sectors, with some line ministries and agencies conducting PPPs autonomously without involvement of national PPP

[31] World Bank (2023). Global Gas Flaring Tracker Report.

[32] AfDB (2023).

[33] OECD DAC data.

[34] AfDB (2023).

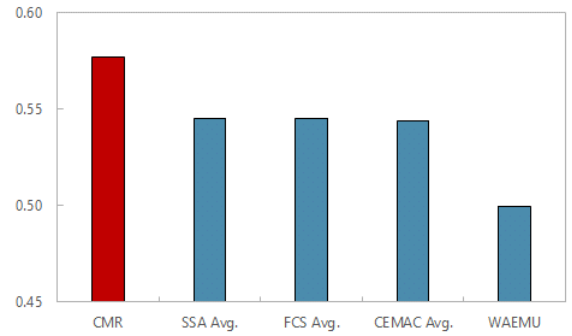
structures. Sectoral governance issues, such as in the energy sector and ports, may send negative signals to prospective investors. Therefore, a comprehensive review of the PPP framework and its implementation, including funding for the Support Council for the Realization of Partnership Contracts, the PPP unit, would support the development of climate-smart infrastructure projects. It will be critical to ensure a uniform and efficient implementation based on the capacity and convening power of the national PPP structure, line ministries, and agencies, as well as developing a PPP pipeline based on sector assessments, to create a roadmap for mobilizing private financing.

31. Cameroon needs to develop its capital markets to harvest the potential private funding for climate investments. Raising private climate finance entails several steps, including ambitious and stringent climate policies, disseminating relevant data, and developing capacity. Standard stress testing methodologies could be extended to include climate risks in the financial sector. One possible approach to raise green financing is to develop taxonomy for thematic bonds, such as green or sustainability bonds—a financial product designed to raise funds for sustainable development projects related to mitigation and adaption. Such bonds would allow sending a clear signal to the market about climate benefits. Implementing such financial strategies would require advancing development of Cameroon's capital and financial markets.

Figure 10. Cameroon: Development and Climate Indicators

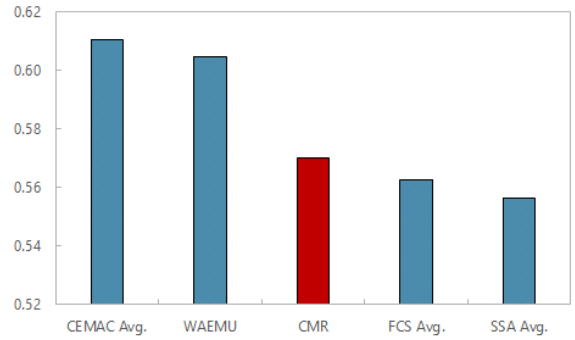
Human Development Index

(Value, 2017-2021 Avg.)



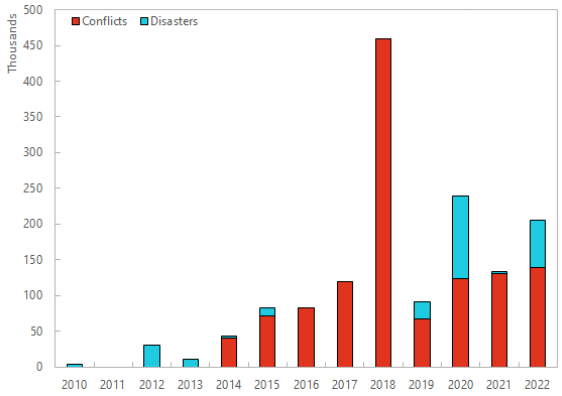
Gender Inequality Index

(Value, 2017-2021 Avg.)



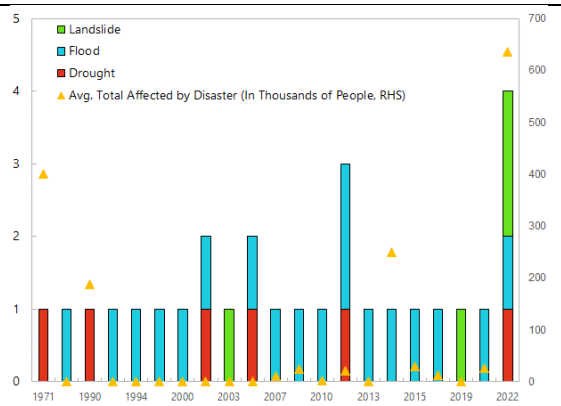
Internal Displacement induced by Conflicts and Natural Disasters

(2010-2022, in Thousands of People)



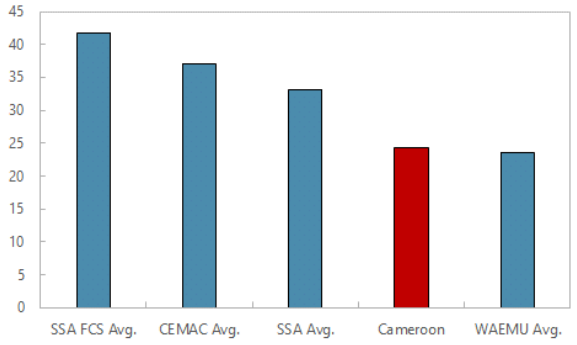
Natural Disasters in Cameroon

(1971-2022, Frequency, in Thousands of People)



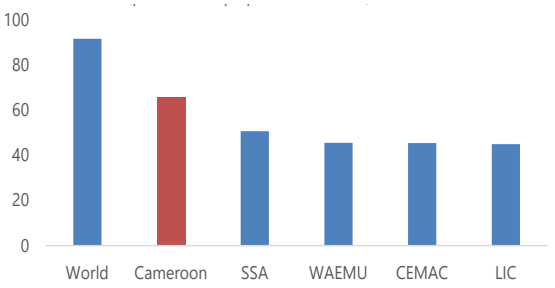
Poverty Incidence

(International poverty rate, $2.15 in 2017 PPP)



Access to Electricity

(Percent of population, 2021)



Source: World Bank WDI, retrived On July 31, 2023.

Source: Human Development Programme, IDMC (Internal displacement monitoring centre), EM-DAT, World Bank Macro Poverty Outlook.

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Annex II. Cooperation with Development Partners

1. Cameroon has been working with development partners to tackle climate challenges. While climate-related development finance flows have been on the rise in recent years, they are smaller than the estimated needs and relatively volatile, making planning difficult. About two-thirds of the flows targeted mitigation projects (Figure 1) with the large majority mitigation financing the energy sector (Figure 3). Agriculture, forestry, and fishing were the most targeted sectors for adaptation flows (Figure 4), with about a forty percent share. Adaptation flows also targeted multisectoral goals such as urban and rural development and disaster risk management, transportation, water supply, and disaster risk reduction. In terms of providers, multilateral partners were the most active accounting for three quarters of recent flows (Figure 2).

2. The largest multilateral provider of climate-related development finance is the World Bank. The latest Development Project Financing (DPF) targets multiple critical climate areas in Cameroon, through its sustainability pillar. The Bank seeks to improve the climate resilience of road infrastructure by targeting road and road maintenance through operationalizing the relevant law and implementing it through a decree. Water management is another targeted area, which seeks to ensure the efficient allocation of water across various uses, given its importance for agriculture. The final climate-related leg of the World Bank program is the expansion of safety nets, with the eventual goal of having adaptive social safety net that can effectively respond to disasters.

3. UN agencies are active in Cameroon, with many of the interventions focusing on disaster risk reduction and management. The World Food Program (WFP) is strengthening resilience against disasters through improving data collection to enhance early warning systems, laying the policy and legal framework for disaster risk reduction. An important aspect of the program is the strengthening of digitalization of social information, which would enable social safety nets to respond quickly and effectively in case of a disaster. In terms of disaster risk finance, the WFP is devising an insurance scheme for agricultural workers to improve their resilience to climate-related risks. UNESCO is also supporting the authorities in the areas of: (i) recording data to observe climate impacts, for example on water quality and flooding to prevent the spread of water-borne diseases; (ii) raising awareness in local communities of the climate-related risks, thereby providing an important step for an enabling environment in which private actors can manage their own risks; and (iii) providing alternative income generating activities for local indigenous populations through agroecology. In addition, the International Organization for Migration supports governance and knowledge generation for sustainable solutions of internal displacement by climate risks especially in conflict affected areas of Cameroon.

4. UN agencies are also active in forestry management. The Food and Agricultural Organization (FAO) is convening consultations and supporting the authorities on facilitating the development of a regulatory framework to promote sustainable logging, creating an inventory of biodiversity and forests, and developing capacity of forestry communities to implement forestry management plans. The International Fund for Agricultural Development is planting selected species of trees to increase forest resilience in various areas. The UN High Commissioner for Refugees has multiple projects on reforestation to increase the resilience of refugees to climate risks.

5. European governments and agencies are the most active bilateral partners in Cameroon. The European Development Fund is the largest donor having projects in agricultural policy and management, with the goal of helping the government promote sustainable and inclusive growth favorable to vulnerable populations and consolidating democratic, economic, and administrative governance. The German Federal Ministry for Economic Cooperation and Development (BMZ) focuses on forestry management and improving agricultural production by making food systems more resilient.[1] The French Development Agency (AFD) is supporting Cameroon in the development of renewable energy, sustainable forest management, flood prevention, and structuring national climate change strategies.[2]

Figure 1. Cameroon: Adaptation/mitigation focus of climate-related development finance
(Thousands of 2021 USD)

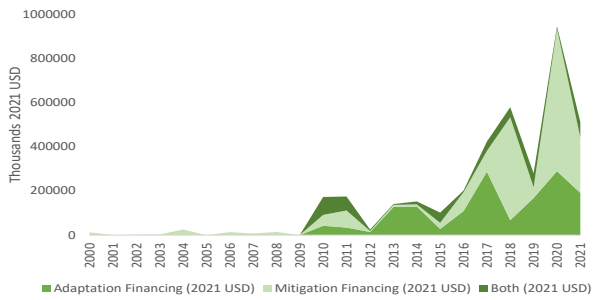


Figure 2. Cameroon: Providers of climate-related development finance
(Thousands of 2021 USD)

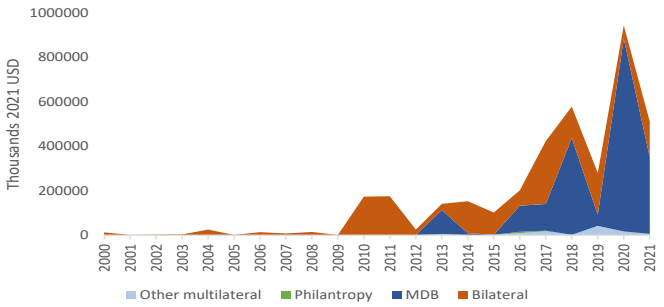


Figure 3. Cameroon: Sectors targeted by mitigation flows 2017-2021 (percent of total)

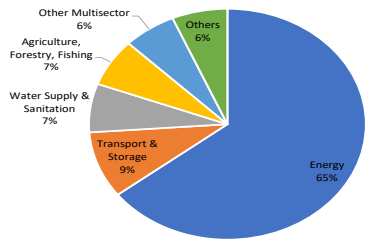
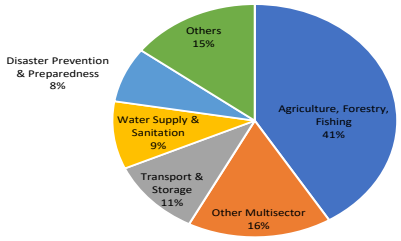


Figure 4. Cameroon: Sectors targeted by adaptation flows, 2017-2021 (percent of total)



Source: OECD DAC data.

[1] Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung. Cameroon. https://www.bmz.de/en/countries/cameroon (accessed: 11/30/2023)

[2] Agence Française de Développement. Cameroon. https://www.afd.fr/en/page-region-pays/cameroon (accessed: 11/30/2023)

Annex III. Macro-Fiscal Implications of Climate Change Adaptation in Cameroon: DIGNAD Simulations [1]

This annex draws lessons from the IMF-DIGNAD (Debt, Investment, Growth, and Natural Disasters) model to illustrate climate vulnerability in Cameroon and the impact of investing in ex-ante adaptation on output and public debt.

1. The Debt, Investment, Growth, and Natural Disaster (DIGNAD) model is a dynamic general equilibrium (DGE) model designed to analyze the impact of public investment on economic growth and debt sustainability under various scenarios. It accounts for climate shocks affecting the economy by considering damage to public and private capital, temporary productivity loss, reduced public investment efficiency, and creditworthiness decline. Additionally, it assesses debt sustainability risks following a climate disaster and evaluates the effects of ex-ante policies, such as adaptive infrastructure development, fiscal buffer increases, and improved public investment efficiency. The model also considers public investment inefficiency and limitations posed by absorptive capacity constraints.

2. The model is tailored to the Cameroonian economy. While its steady state is aligned to historical averages (excluding the COVID-19 period), initial values of the model are based on the latest available data from the authorities or staff's estimates. Public infrastructure investment is set at 5 percent of GDP based on the 2023 estimate, and its efficiency is set at 50 percent based on Cameroon's 2020 PIMA report. The initial public debt value is calibrated using 2022 debt-to-GDP ratio at around 42.8 percent of GDP. The economic impact of a natural disaster shock is set at 0.6 percent of GDP based on an average impact of climate change-induced events on agriculture estimated by the county's National Observatory on Climate Change (ONACC). This estimated output loss may be viewed as conservative since it is only based on agricultural losses and does not cover all regions of the country. The impact may be larger based on assessment of the country's exposure to natural disasters. For example, according to the UNDRR[2] and CIMA (2019), the regions exposed to climate disasters in the country account for 8.3 percent of overall GDP. The World Bank's CCDR estimates that overall climate change is projected to cause a GDP loss that could be as high as 10 percent by 2050 in the most pessimistic scenario without adaptation actions.[3]

3. To illustrate the macro-fiscal implications of climate change adaptation and reforms for Cameroon, three scenarios are considered (Figure 1):

- **Baseline scenario:** *No policy change*. The baseline scenario assumes neither adaptation actions nor reform measures. The public capital spending is projected to remain at 5 percent to GDP in the first five years of the projection period. A climate disaster is simulated in year 4, leading to a decline in GDP, private investment, and private consumption. At the same

[1] Prepared by Idossou Adom, Asel Isakova, Kaihao Cai (all AFR), and Azar Sultanov (RES).

[2] https://www.undrr.org/publication/disaster-risk-profile-cameroon-cameroun

[3] World Bank CCDR, 2022.

time, the public debt to GDP ratio would increase following the need for reconstruction spending by the government and a lower GDP.

- **Adaptation scenario 1:** *Assumes adaptation investment.* In the adaptation scenario, we assume that an additional 1 percent of GDP is spent on adaptation investments each year over three years. This spending is financed as described in Table 1. The RSF financing amounts to about 0.2 percent of GDP for two years assuming that the program duration is 18 months. First, under the adaptation scenario, the real GDP growth is stronger (up to 0.2 percentage point more) than in the baseline scenario because of higher public investment and a higher return on adaptation investment. Second, when a climate shock hits, output losses are about 0.4 percentage points of GDP lower under the adaptation case, and the GDP tends to recover more quickly compared to the baseline. Losses to private investment and consumption are also expected to be lower than in the baseline scenario. Higher public investment explains a higher level of public debt to GDP ratio in the adaptation scenario, but it declines over time as the economy recovers.

Table 1. Cameroon: Financing Assumptions in the Adaptation Scenario

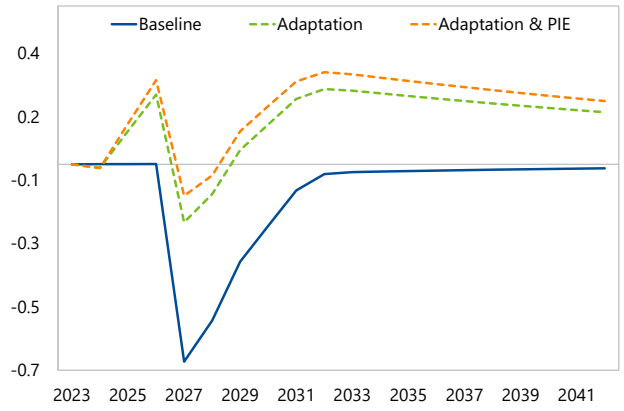
Financing Sources	2024	2025	2026
Grant	0.1	0.1	0.1
Concessional debt	0.7	0.7	0.5
Donors	0.5	0.5	0.5
RSF fund	0.2	0.2	0
Domestic debt	0.2	0.2	0.4
Total	1	1	1

- **Adaptation scenario 2:** *Assumes increasing public investment efficiency.* This scenario builds on Adaptation Scenario 1. It introduces an improvement in the public investment efficiency by 10 percentage points to reach the average level of estimated efficiency in the SSA region. The scenario assumes that such improvements reflect the government's efforts to implement measures recommended by PIMA and reform measures under the ECF-EFF and RSF arrangements. Simulation results in Adaptation Scenario 2 suggest that higher public investment efficiency, including for adaptation projects, will result in even lower output losses and thus a faster recovery, which reflects increased resilience in the face of a natural disaster.

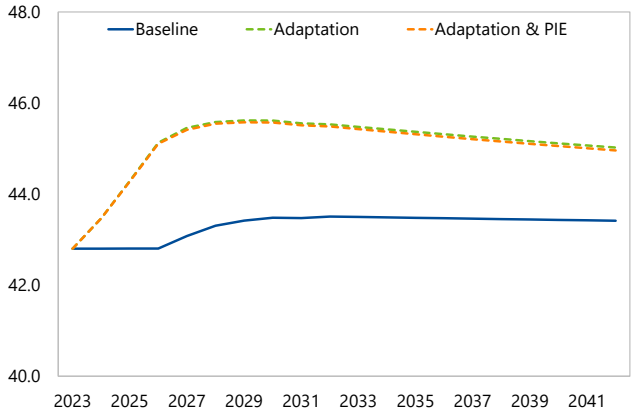
4. The DIGNAD simulation results suggest that investment in adaptation infrastructure would increase Cameroon's resilience to natural disasters. Increasing public investment would result in a higher public debt initially, but these investments would lower the negative impact on the output in case of a shock, support post-disaster recovery, and reduce reconstruction costs. Results also suggest that increasing public investment efficiency would further help limit the impact of a natural disaster shock and reduce rebuilding costs improving public debt dynamics over the reconstruction period. Given the limited fiscal space, PIM reforms are key to achieving economic and infrastructure resilience to climate shocks. The authorities would also need to rely on donor financing to address the growing needs in the face of climate change. Going forward, financing adaptation needs would be challenging without the private sector engagement.

Figure 1. Cameroon: Simulation Results Using DIGNAD Model

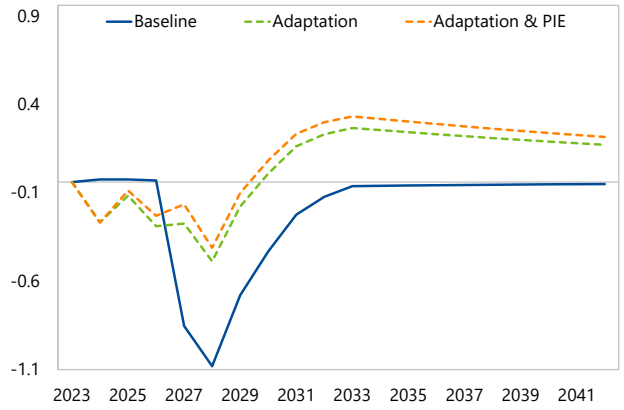
GDP
(In percent, deviation from steady state)



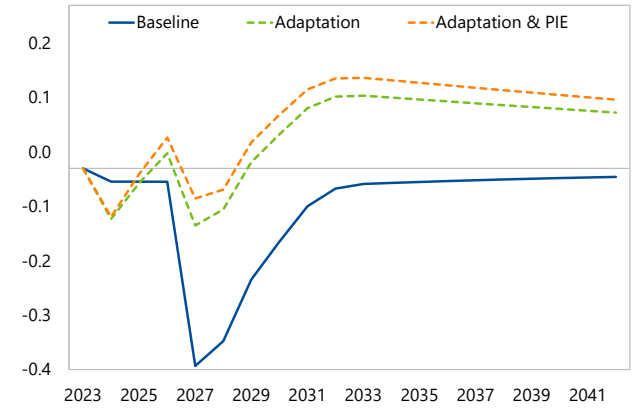
Total Public Debt
(In percent of GDP)



Private Investment Growth
(In percent, deviation from steady state)



Private Consumption Growth
(In percent, deviation from steady state)



Source: Staff calculations.

Appendix I. Letter of Intent

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431
United States of America
January 15, 2024

Subject: Letter of Intent for the Resilience and Sustainability Facility

Dear Madam Managing Director,

The Cameroonian economy has maintained its resilience thanks to the government's efforts to achieve its macroeconomic objectives in the context of repeated shocks and despite continued risks from the external environment, including tight financial conditions and increased oil price volatility. Despite the uncertainties over global developments, the country's outlook remains positive.

The government is mindful that Cameroon is classified among the most vulnerable to the impact of climate change, including risks arising from recurrent droughts, floods and landslides, and coastal erosion. The national development strategy highlights climate change as one of the country's key challenges and identifies adaptation and mitigation as key objectives to achieve sustainable and inclusive growth. As part of a National Adaptation Strategy, the Cameroonian government is committed to the sustainable management of natural resources backed by a policy of adaptation and mitigation to climate change. Cameroon is also playing its part in the global effort to contain climate change. Thus, it is a signatory to the Paris Agreement (COP21) and has developed, revised and submitted to the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) the Nationally Determined Contribution. The Cameroonian government is already working with development partners to implement the NDC.

In this context, Cameroon is requesting an 18-month arrangement under the Resilience and Sustainability Facility (RSF) until July 28, 2025 in the amount of SDR 138 million (50 percent of quota). The arrangement will support our efforts to mitigate and adapt to climate change and to strengthen our country's prospective balance of payments stability by addressing critical risks posed by climate change. The RSF arrangement will complement the existing three-year arrangements under the ECF/EFF approved by the Fund in July 2021 and for which the IMF Board on 20 December 2023 approved a 12-month extension through to July 2025 for a total amount of SDR 593.4 million (215 percent of quota). The RSF arrangement will enable us to start to implement our reform program and catalyze an access to additional climate financing from development partners.

The eight reform measures (RM) to be financed by the RSF arrangement are presented in the attached memorandum of economic and financial policies (MEFP). The program has four main pillars. The first pillar aims to strengthen the institutional framework for governance and policy coordination related to climate change. The second focuses on mainstreaming the climate agenda into the public financial management processes with particular attention to public investments. The

third addresses the need to enhance our adaptation efforts with particular attention to the national Disaster Risk Management framework. The fourth pillar focuses on mitigation efforts to reduce dependence on CO2-emitting energy resources, with particular attention to sustainable management of forest ecosystems that sequester CO2.

During the implementation of the RSF arrangement, the government will maintain a close policy dialogue with the IMF and will consult it in advance of any revisions to the reform measures contained in the MEFP, in accordance with the Fund's policies on such consultations. In addition, we will provide the IMF with information on the progress made in implementing these measures and achieving their objectives. Similarly, in the context of the above-mentioned dialogue, any difficulties and other contingencies that are likely to disrupt the process will be discussed with the IMF.

Finally, the government agrees to the publication of this letter, the MEFP and the IMF staff report on this program.

Very truly yours,

/s/

Joseph Dion Ngute
Prime Minister, Head of Government

Attachments:

1. Supplementary Memorandum of Economic and Financial Policies

Attachment I. Memorandum of Economic and Financial Policies

1. Cameroon's economy is highly vulnerable to climate change-related risks. The assessment that gave rise to the 'Methodological Guide for the Integration of Climate Change Adaptation and Disaster Risk Management in Development Planning in Cameroon' (WB, MINEPAT, GFDRR, 2017) proved that there is convergence between adaptation needs, disaster risk management, and development objectives. The impacts of climate hazards would exacerbate the vulnerabilities of our societies and natural resources and affect the resilience of our economy to the point of undermining some of the goals of the country's Vision 2035. In detail, recurrent droughts, floods, landslides, and coastal erosion have been identified as the main drivers of risk exposure. The effects of climate change are expected to lead to income losses, negatively impact economic growth, exacerbate poverty and inequality, threaten food security, and increase the risks of conflict in an already vulnerable and fragile environment. The expected social and economic impact would jeopardize the accumulation and development of human capital and impede inclusive growth.

2. The authorities have identified climate change as one of the key challenges in the country's national development strategy (SND30). The SND30 identifies adaptation and mitigation to climate change as key objectives to achieve sustainable and inclusive growth. As part of the strategy, the authorities are committed to: (i) strengthen actions relating to sustainable management of natural resources; and (ii) take adequate measures to adapt to and mitigate the effects of climate change. In addition, the authorities are committed to: (i) ensure that climate change considerations are taken into account in sectoral strategies and policies; (ii) strengthen the institutional capacity for climate surveillance; (iii) operationalize the system for monitoring, preventing, and responding to the effects of climate change; (iv) develop and implement a national waste management strategy while promoting corporate social responsibility. Vision 2035 also emphasizes and recognizes the importance of climate change and its economic and social impact. Cameroon is a signatory to key international agreements related to climate change.

3. The authorities recognize the urgent need to strengthen adaptation efforts, in particular in agriculture and infrastructure. Cameroon has adopted a 2015-19 National Climate Change Adaptation Plan which is currently being revised. In addition, the Nationally Determined Contribution (NDC), revised in 2021, identifies several adaptation priorities including promoting climate-smart agriculture, building resilient energy and transport infrastructure, diversifying energy supply, reducing disaster risk, and improving public awareness and capacity. The NDC has estimated the financing needs to achieve adaptation objectives at about US$ 32 billion.

4. The authorities are also committed to reducing greenhouse gas emissions under the NDC. Starting from a commitment of 32 percent GHG reduction by 2035, the Cameroonian authorities have increased the country's contribution to 35 percent by 2030 compared to a business-as-usual scenario, including an unconditional target of 12 percent. The NDC outlines specific sectors and activities targeted for emission reduction, including energy, forestry, agriculture, transportation, and waste management. To meet the challenge of increasing the share of renewable energy in the electricity mix to 25 percent by 2035, the authorities intend to promote renewable energy sources such as hydropower, solar, and wind energy as well as to improve energy efficiency to reduce

emissions from the energy sector. They also recognize the importance of climate-smart agriculture practices to reduce emissions and enhance food security, through improved land management, agroforestry, and sustainable farming techniques. Achieving these mitigation targets will require financing estimated at US$ 26 billion.

Strengthening climate governance framework and coordination

5. The authorities pursue actions towards building the institutional framework governing climate policies. The key climate change policy documents are the National Climate Change Adaptation Plan 2015–19, which is currently being updated, and the Nationally Determined Contribution (NDC) updated in 2021. The updated National Adaptation Plan will be validated in mid-2025. As intended in the NDC implementation structure, several regional and municipal governments are also mobilized for the implementation of the NDC and commit to developing and adopting local Climate Change Action Plans (CCAP). Ministry of Environment, Nature Protection and Sustainable Development (MINEPDED) and its agency the National Observatory for Climate Change (ONACC) were placed at the center of the institutional mechanism to achieve the NDC goals. To further strengthen the coordinating role of the MINEPDED and recognizing the cross-cutting nature of the climate change challenges, the authorities will issue a regulatory act by the Prime Minister or the President of the Republic that will (i) define the central role of the MINEPDED as the key authority responsible for the coordination of the climate agenda, supported by the Ministry of Economy, Planning and Regional Development (MINEPAT) and the Ministry of Finance (MINFI); and (ii) define the roles and responsibilities of other sector ministries and public agencies in implementing the climate agenda (**reform measure no. 1, April 2024**).

6. To advance efforts in implementing climate policies, the authorities will adopt a National Climate Plan (NCP). An NCP guides national climate policies and supports their effective implementation. It plays a critical role in climate governance as a roadmap to achieve the adaptation and mitigation goals set out in the NDC. Therefore, the authorities will develop and adopt a National Climate Plan (NCP) validated by the Prime Minister in line with the 2021 NDC, which will (i) set out the government's key climate actions, targets, policies, and measures to address adaptation and mitigation challenges; and (ii) define the roles and responsibilities of sector ministries and public agencies in implementing the NCP (**reform measure no. 2, April 2025**). The NCP will be published on the MINEPDED website. This Plan will be in line with international standards (GCF) integrating all relevant tools and instruments available (NDS 30, NDC, NAP, Country Program, REDD+ Strategy, GNPC, NAP/LCD, GYRO, and relevant Sectoral Strategies). It will set out the objectives, the actors, their roles and responsibilities, and the means necessary to enable the Government to respond to the challenges of adaptation and mitigation to reconcile the country's strategic objectives for sustainable development and the international commitments made under the Paris Agreement. The authorities will also estimate climate finance needs in line with the NCP and implement a mechanism to monitor implementation progress and ensure compliance with the NCP.

Mainstreaming the climate agenda into the Public Financial Management (PFM) processes

7. To ensure economic resilience to climate change, we aim to make public investment management (PIM) greener and more resilient. The PIM legal and regulatory framework for public investment has improved over the years, but the regulations do not guarantee that the climate considerations are properly taken into account in PIM. Decree 2018/4992 of 21 June 2018, which sets out the rules governing the capital project maturation process, represents an important step forward in strengthening the preparation of projects. Similarly, Decree 2013/7987 on the creation, organization and functioning of the Monitoring Committees for the Physical and Financial Execution of Public Investment defines a comprehensive institutional framework and clear procedures for the monitoring of investment projects. However, this legal and institutional framework does not foresee climate change mitigation and adaptation requirements in the development, implementation and monitoring of investment projects. In this regard, we will revise the above-mentioned decrees to take into account climate-related elements at each stage of the project cycle (**reform measure 5, April 2025**).

8. In addition, in the area of public investment and climate change, we will continue the reform of climate-budget tagging while improving the upstream processes of preparing and selecting investment projects aligned with our climate agenda. The 2024 budget call provides indications on how to integrate into the draft budgets the expenditure planned for climate change adaptation or mitigation. The 2024-2026 Medium-Term Expenditure Framework (MTEFs) includes climate-related programs and projects, but their alignment with sectoral strategic plans is not clearly established. To further improve climate-budget tagging and, with the support of the World Bank, the following actions will be implemented: (i) the development of a methodology to tag and rate climate-sensitive expenditures; and (ii) the progressive integration of the climate tagging into existing financial management information systems. To facilitate the identification of climate-related public investments in the budget or in the Public Investment Program (PIP), we will also ensure that a standard methodology for the appraisal of investment projects is established, including guidelines for climate change adaptation and mitigation, which we will integrate into a project maturation guide (**reform measure 4, October 2024**). To improve the preparation of public investment projects, we will ensure that sectoral ministries provide appropriate amounts for project appraisal in their budget proposals. In addition, recognizing that the projects are selected according to general criteria that do not always take into account the impact of the climate, we will define and publish project selection criteria that integrate climate change aspects and develop a manual of selection procedures (**reform measure 3, April 2024**).

9. To ensure the successful implementation of critical climate-relevant investment projects, the preparation and budgeting actions of climate-sensitive projects will be complemented by the strengthening of capital budget execution. We will continue to improve the monitoring of the implementation of investment projects. At the institutional level, the monitoring and control of the execution of projects is carried out by the sectoral ministries in charge of the projects, the MINFI, the MINEPAT, the Ministry of Public Procurement (MINMAP), the National Committee for the Monitoring of the Physical and Financial Execution of Public Investment, the Regional and Departmental Committees, and the Communal Technical Committees, as well as by the project management units. Periodic reports on the physical and financial implementation of public

investment projects will be produced. A report providing an exhaustive overview of the financial situation and progress of major investments with their potential impact on public debt and refinancing risks, has been annexed to the budget law since 2020. The other projects are monitored by each ministry and included in the summary and financial statement for the previous period presented in each MTEF. Public-Private Partnerships (PPPs) are specifically monitored in the Fiscal Risk Report and are monitored centrally by MINEPAT. However, the areas of focus will be: (i) making the public procurement system more efficient and transparent; (ii) ensuring regular, timely and efficient payment of public expenditure, including "green" expenditure; (iii) implementing asset accounting and enabling appropriate maintenance for resilient investments; (iv) strengthening the capacity of oversight institutions to manage and analyze climate-related spending and results; and (v) coordinating actions related to climate change at the vertical level with the local governments and public enterprises and at the horizontal level with all sectoral ministries.

Strengthening adaptation efforts

10. To improve climate resilience and deepen adaptation measures, the authorities will strengthen the disaster risk management (DRM) framework. Cameroon is affected by various risks related to climate changes, such as floods, landslides, and droughts. Such events cause loss of life, assets, and infrastructure, and cause economic damages. Therefore, the authorities consider that developing a comprehensive DRM framework is a national priority for successful adaptation and mitigation of disaster risks and their effects. The main legislative document for DRM in Cameroon—law no. 86/016 on general reorganization of civil protection—is no longer adapted to the context, nor to the environment, let alone to the emerging issues in disaster risk management. To better align this institutional framework with current climate change issues and challenges, as well as with current climate change standards, and to contribute effectively to adaptation objectives and disaster risk management, the authorities are revising the above-mentioned law to have a legal and institutional framework that is more adapted, more coherent, and capable of providing effective responses to the risk nomenclature. This law is also expected to clarify the roles and responsibilities of all stakeholders and strengthen coordination during all phases of the DRM. The authorities have already gathered technical contributions from several stakeholders, and the draft law remains open to further inputs before it is passed. The authorities plan to accelerate dialogue with donors to obtain technical assistance in areas such as natural disaster risk mapping and financing for disaster reduction activities.

11. We will continue efforts to strengthen our technical capacity for effective natural disaster risk assessment. The authorities are working on capacity building in disaster and climate change statistics through initiatives such as the project on "Strengthening Disaster Risk Governance and Disaster Recovery Capacities", within the framework of the Caribbean and Pacific (ACP) Intra-African Program and the Natural Disaster Risk Reduction Program of the European Union Fund, which identifies the key actions needed for the creation and effective use of disaster risk information. While mapping disaster risk areas remains one of Cameroon's priorities, it is equally crucial to create an institutional framework that would allow for the effective use of this information. The National Risk Observatory (ONR) is responsible for collecting, managing, and disseminating data on natural, technological, industrial, and anthropogenic risks, whose functions are defined by Order No. 037/PM of 19 March 2003 on the creation, organization, and operation of a National Risk

Observatory (ONR). This structure can be supported in this mission by ONACC, which already makes various climate forecasting documents available to the public and decision-makers. The authorities will adopt and promulgate the revised Civil Protection Law and update the above-mentioned order, clarifying the tasks and functioning of the ONR in the light of the revised Civil Protection Law, such as the use of risk assessment in all phases of the DRM, including risk prevention, preparedness, response, and recovery **(reform measure no. 6, October 2024)**.

12. Strengthening disaster finance is crucial for the effective functioning of civil protection institutions in the face of climate change. To this end, the authorities are committed to developing a financing strategy aimed at strengthening prevention and adaptation efforts. The authorities will develop and adopt a Disaster Risk Financing Strategy that will clearly identify roles, responsibilities, and measures to build financial resilience against disasters (**reform measure no. 7, April 2025).** The authorities will also operationalize alternative risk retention and transfer mechanisms to finance emergency response, relief and recovery thereby contributing to improving ex-ante disaster preparedness.

Supporting mitigation efforts

13. The authorities are committed to stop deforestation and forest degradation. Rainforests present a stable carbon sink and can be a driver of sustainable growth in Cameroon, with about 40 percent of its territory covered by the Congo Basin rainforests, the second largest in the world. The institutional framework for forest governance is based on Law No. 94/01 of 1994 on the Forest, Wildlife and Fisheries Regime, which aims to increase local timber processing through tax incentives and logging bans. The authorities have strengthened their forest conservation efforts, in collaboration with development partners, to implement various conservation tools. To this end, the authorities have set up a forest information management system (SIGIF) and are in the process of operationalizing SIGIF 2, which aims to dematerialize forest management procedures, strengthen the legality of the forestry sector, and improve the traceability of wood. This platform can be integrated into the framework of the tax and customs administration to strengthen the management of taxation in this sector and further promote sustainable forestry. In addition, to better monitor changes in the field, the authorities use the Global Land Analysis and Discovery alert system (GLAD), developed with the support of the World Resources Institute (WRI), which provides information on changes in forest cover at the pixel level. This information is used to plan monitoring missions in the field. In view of recent technological and policy developments in the field of forest conservation and the need to further integrate sustainability concerns into the legal and institutional framework of forest management, the revision of the 1994 law is necessary.

14. The authorities are engaged in the REDD+ initiative, an international initiative to reduce greenhouse gas (GHG) emissions resulting from deforestation, forest degradation, and to promote conservation, sustainable forest management and increasing carbon stocks. In this context, the authorities are actively engaged in the development of key elements such as the National Reference Level (NERF), the Monitoring-Reporting-Verification (MRV) System, the Environmental and Social Safeguards Information System (SIS) and the National Register. The authorities are working on revising and updating the 2004 National Forest Inventory, which would allow land use to be integrated into the REDD+ framework.

15. To strengthen sustainability efforts in the forest sector, we have rolled out a number of fiscal instruments and other measures. Taxation in the forestry sector is governed by the 1994 law and the General Tax Code (Articles 241 to 247 bis). These regulations include taxation and guidelines for logging, timber, and non-timber products, aimed at ensuring forest regeneration. Tax policy on tax rates for products associated with deforestation, such as timber, cocoa, and palm oil, has been periodically revised. In addition, in line with the country's Sustainable Development Goals, the 2021 budget law introduced a 1 percent tax incentive on the forest felling tax for companies whose management practice was certified as sustainable.

16. Mindful that, among other factors, agricultural expansion has led to forest degradation in Cameroon, the government is considering measures to improve forest sustainability through sustainable agricultural production. Agricultural products are an important source of income, livelihood, and export for the population and the economy. In this regard, cocoa and palm oil are the main agricultural exports. To improve sustainable agricultural production and protect forests, the authorities have introduced certification standards for agricultural products and will continue efforts to incorporate evolving global standards. To this end, with the support of technical and financial partners, the authorities will raise taxes on the deforestation-related commodities, namely cocoa and timber, while granting tax rebates to companies that prove, using accredited sustainability certificates, that the commodity was produced with lower environmental impact than the industry's standard production method (**reform measure no. 8, April 2025**). Thus, preferential taxes will be put in place for companies that support the vision of sustainable forestry. This tax reform will operate through the standard tax system and will be revenue neutral, without creating a specific environmental parafiscal system or earmarking revenues. For the effective implementation of this measure, the authorities plan to intensify efforts to improve inter-ministerial coordination on standards, agricultural production, forestry, and taxation. The World Bank and the Agricultural Research Centre for International Development (CIRAD) will support the authorities in meeting the RM, including non-fiscal aspects such as setting-up, updating or strengthening Forest Information Management Systems, Monitoring-Reporting-Verification Systems, Forest Reference Emission Level, and the National Forest Inventory.

Table 1. Cameroon: RSF Reform Measures			
Reform Measure No.	**Reform Measure (RM)**	**Due Date**	**RSF Review**
1	Issue a regulatory act that: (i) defines the central role of the MINEPDED as the key authority responsible for the coordination of the climate agenda supported by the Ministry of Economy and the Ministry of Finance; and (ii) defines the roles and responsibilities of other sector ministries and public agencies in implementing the climate agenda. [PM (Prime Minister) Office or President's Office]	April 2024	1
2	Develop and adopt an NCP validated by the Prime Minister, in line with the 2021 NDC, that (i) states key climate actions, targets, policies, and measures by the government to address adaptation and mitigation challenges; and (ii) defines roles and responsibilities of sector ministries and public agencies in implementing the NCP. The NCP to be published on the MINEPDED website. [PM Office and MINEPDED]	April 2025	3
3	MINEPAT, in collaboration with the other ministries concerned, will define, and publish the criteria for prioritization and selection of projects integrating climate change-related criteria and develop a manual of selection procedures. [MINEPAT]	April 2024	1
4	MINEPAT will define a methodology for ex-ante evaluation of investment projects including guidelines for climate change adaptation and mitigation, and integrate this methodology into a project maturation guide. [MINEPAT]	October 2024	2
5	Revise Decree 2018/4992 of 21 June 2018, which sets out the rules governing the project maturation process and Decree 2013/7987 on the creation, organization and functioning of the Monitoring Committees for the Physical-Financial Execution of Public Investment to integrate climate considerations into each phase of the investment project cycle (e.g., ex-ante evaluation, selection). [MINEPAT]	April 2025	3
6	Adopt and promulgate the revised Civil Protection Law and update Order no. 037/PM of March 19, 2003 on creation, organization, and operation of the National Risk Observatory (ONR). [President's Office]	October 2024	2
7	Develop and adopt a Disaster Risk Financing Strategy, with clear roles and responsibilities and milestones to build financial resilience against disasters. [MINFI/MINEPDED]	April 2025	3
8	The government will raise taxes on the deforestation-related commodities, namely cocoa and timber, while granting tax rebates to companies that prove, using accredited sustainability certificates, that the commodity was produced with lower environmental impact than the industry's standard production method. [MINFI]	April 2025	3

INTERNATIONAL MONETARY FUND

CAMEROON

January 16, 2024

REQUEST FOR AN ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY—DEBT SUSTAINABILITY ANALYSIS

Approved By

Vitaliy Kramarenko, Bergljot Bjornson Barkbu (IMF) and Manuela Francisco, Abebe Adugna Dadi (IDA)

Prepared by the staff of the International Monetary Fund (IMF) and the International Development Association (IDA).

Cameroon: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	High
Overall risk of debt distress	High
Granularity in the risk rating	Sustainable
Application of judgement	No

Cameroon remains at high risk of debt distress while its overall debt sustainability indicators have been broadly stable compared to the previous DSA report published in February 2023. Larger contingent liabilities and rising interest rates negatively affect the DSA indicators, while higher energy prices, stronger exchange rate, the extension and augmentation of the current program in the fifth review, and a new financing arrangement under the RSF substituting less concessional financing provide positive effects. The debt carrying capacity continues to be weak as suggested by the latest score of the Composite Index (CI) and the bond spread is above the benchmark value.[1] On the other hand, while Cameroon's external debt stock indicators continue to lie below the threshold, its external debt service indicators remain above the threshold but have improved supported by the authorities' active debt management. Both external debt service indicators are on a downward trend. Taking all these factors into consideration, staff maintains the assessment that Cameroon's debt is sustainable given the authorities' commitment to program objectives, including fiscal consolidation efforts and active debt management.

[1] The Cameroon Composite Indicator index, calculated based on the October 2023 World Economic Outlook and the 2022 Country Policy and Institutional Assessment, is at 2.61, indicating that Cameroon's debt-carrying capacity remains weak.

Key downside risks to this assessment include the continuing war in Ukraine and an escalation of geopolitical tensions which could set back the global recovery putting pressure on the Cameroonian economy. Prolonged tight global financial conditions could lead to the deterioration of financing environment and higher borrowing costs. The high volatility of global energy prices could lead to uncertainty on both exports and fiscal revenue. On the domestic front, the overall macroeconomic situation could be affected by the rising social tensions amidst both higher inflation and upcoming presidential election, a deterioration in regional stability with spillovers to Cameroon, as well as more frequent climate disasters such as flooding. A realization of contingent liabilities, such as State-Owned Enterprises (SOEs) and Public-Private Partnership (PPP) projects, could weigh further on DSA baseline indicators.

To mitigate the risks, Cameroon should firmly push forward its agenda to ensure its debt sustainability, while aligning macroeconomic policies with social objectives. First, keeping public debt dynamics on a sustainable path requires continued efforts in fiscal consolidation, including a further reduction in fuel subsidies and increased revenue mobilization. Second, the authorities should closely monitor their debt service and strengthen the management of their debt portfolio to minimize interest rate risks. Third, vulnerable export-related debt indicators point to the need for export promotion. Reform momentum to improve the domestic business and investment environment should be further accelerated, boosting exports and inviting more foreign direct investment inflows. Lastly, management of SOEs and PPP projects should be strengthened to reduce risks related to contingent liabilities.

PUBLIC DEBT COVERAGE

1. Debt coverage has remained unchanged since the previous DSA (Text Table 1). Public debt coverage, as agreed with the authorities in the Technical Memorandum of Understanding (TMU), includes debt of the central government, expenditure floats and arrears, guarantees, debt of a public oil company SONARA, and external arrears of other state-owned enterprises (SOEs).[2] The DSA does not cover the debt of local governments, which are not allowed to borrow from financial markets, and such debt is mostly owed to domestic suppliers, including SOEs, and is yet to be further verified.[3] Other elements of the general government such as social security funds or extra budgetary funds are not covered.[4] External debt is mainly defined based on currency denomination but is adjusted for residency where data are available.[5]

Text Table 1. Cameroon: Public Debt Coverage Under the Baseline Scenario

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	X

2. Domestic debt of SOEs other than SONARA are not included in the DSA's debt baseline perimeter but treated as contingent liabilities. Progress has been made in understanding overall SOE debt. In recent years the authorities have been improving the comprehensiveness of debt reporting by expanding the scope of SOE debt data, supported by the World Bank's Sustainable Development Finance Policy (SDFP) Performance and Policy Actions (PPA). As part of structural benchmarks under the IMF program and based on the criteria of relative importance, 14 large SOEs were selected to produce diagnostic studies, and clarify the status of cross-debts among SOEs and the state. As of data available on September-2023 as reported by the debt management agency the Autonomous Sinking Fund of Cameroon (CAA), such SOEs' external and domestic debt (excluding cross-debt to SOEs and the State) totaled CFAF 511.0 billion and CFAF 365.9 billion, compared to CFAF 522.3 billion and CFAF 392.1 billion at the end of 2022. The National Refining Company (SONARA) accounted for the majority of listed SOEs' debt, representing around 83.3 percent of external debt and 68.5 percent of domestic debt.

[2] Other SOEs' external arrears include a supplier credit to a SOE (Euro 8.9 million) and a compensation claim on a SOE for termination of contract (Euro 6.2 million).

[3] Debt stock of Collectivités Territoriales Décentralisées (CTD), in the form of commercial debt, wage, and other social debts, was CFAF 10 billion at end-2022 from Doula and no settlement plan has been confirmed. The authorities have not verified CTD debt at a broader national scope.

[4] The public pension system in Cameroon operates on a pay-as-you-go basis with defined benefit schemes. The diagnostic study of public pension suggests the imbalance of the system is mainly related to the military sub-scheme.

[5] This is due to limited capacity in tracking debt holdings of non-residents. Debt with available data such as from the Development Bank of the Central African States (CFAF 25.3 billion as of end-2021) is classified as external debt.

3. The parameters related to contingent liability stress test has been updated, which accounts for vulnerabilities associated with uncovered debt including other SOEs' domestic debt and PPPs (Text Table 2). Cameroon's successful completion of the FY22 PPAs and continued implementation of FY23 PPAs will further strengthen debt management. The authorities have made progress in building a legal and regulatory framework governing Public-Private Partnerships (PPP), which has been adopted by the Parliament in June 2023. At the CEMAC regional level, consultations on a harmonized framework have been ongoing since March 2023 but further progress is yet to be made. The scope for reporting on contingent liabilities of PPPs has been expanded further, and the data capital stock of public private partnerships (PPPs) was 4,931 billion or about 16.6 percent of GDP as of September 2023. In the DSA exercise, the aforementioned PPP value corresponds to a contingent liability of 5.8 percent of GDP. Meanwhile, all debt of SONARA and other SOEs' external arrears have already been captured in the baseline, and the shock scenario for the remaining uncovered SOE debt is set at 3 percent of GDP. Contingent liabilities from financial markets are set at the minimum value of 5 percent of GDP, representing the average cost to the government of a financial crisis in a LIC since 1980. Estimates of other elements not covered are currently not available.

Text Table 2. Cameroon: Coverage of the Contingent Liabilities' Stress Test

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	X

	The country's coverage of public debt	The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	3 percent of GDP	3.0	
4	PPP	35 percent of PPP stock	5.8	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)		13.8	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

BACKGROUND

A. Evolution of Debt

4. The overall level of public debt moderated in 2022 and through 2023. According to preliminary staff estimates, the total public and publicly guaranteed (PPG) debt is around CFAF 12,556 billion (45.3 percent of GDP) as of end-2022, compared to 46.8 percent of GDP at end-2021 (Text Table 3). The external debt stock was estimated at CFAF 8,528 billion (30.8 percent of GDP) and domestic debt at CFAF 4,028 billion (14.5 percent of GDP). In the first three quarters of 2023, the public debt to GDP ratio continued to trend downward.

Text Table 3. Cameroon: Evolution of Total PPG Debt

	2020		2021		2022 (Prel.)		Sep-2023 (Prel.)	
	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/
Total Public Debt (authorities' estimate)	**10,351**	**44.1**	**11,444**	**45.5**	**12,382**	**44.7**	**12,512**	**42.8**
Debt of the central government	9,439	40.2	10,556	42.0	11,455	41.3	11,625	39.8
External debt	6,747	28.7	7,578	30.1	8,153	29.4	8,053	27.6
Domestic debt (excl. arrears)	2,505	10.7	2,815	11.2	3,084	11.1	3,355	11.5
Unpaid government obligations (float and arrears) 2/	187	0.8	163	0.6	217	0.8	217	0.7
Publicly guaranteed debt (external)	29	0.1	21	0.1	13	0.0	10	0.0
Debt of SOEs (unguaranteed) 3/	883	3.8	866	3.4	915	3.3	877	3.0
SONARA 3/	655	2.8	651	2.6	700	2.5	676	2.3
of which: external	359	1.5	366	1.5	434	1.6	426	1.5
of which: domestic	296	1.3	286	1.1	266	1.0	251	0.9
Ex-SONARA 4/	228	1.0	215	0.9	215	0.8	201	0.7
of which: external	94	0.4	93	0.4	88	0.3	86	0.3
of which: domestic	134	0.6	122	0.5	126	0.5	116	0.4
Total External	7,229	30.8	8,058	32.0	8,689	31.4	8,574	29.4
Total Domestic	3,123	13.3	3,386	13.5	3,694	13.3	3,938	13.5
Total Public Debt (staff estimate)	**10,535**	**44.9**	**11,770**	**46.8**	**12,556**	**45.3**	**12,694**	**43.5**
Debt of the central government	9,800	41.7	11,089	44.1	11,915	43.0	12,087	41.4
External debt	6,747	28.7	7,578	30.1	8,153	29.4	8,053	27.6
Domestic debt (excl. arrears)	2,505	10.7	2,815	11.2	3,084	11.1	3,355	11.5
Unpaid government obligations (float and arrears) 2/	547	2.3	695	2.8	677	2.4	679	2.3
Publicly guaranteed debt (external)	29	0.1	21	0.1	13	0.0	10	0.0
Debt of SOEs (unguaranteed)	706	3.0	660	2.6	628	2.3	597	2.0
SONARA 3/	698	3.0	651	2.6	619	2.2	588	2.0
of which: external (incl. arrears)	370	1.6	365	1.5	353	1.3	328	1.1
of which: domestic	328	1.4	286	1.1	266	1.0	260	0.9
Ex-SONARA (external) 4/	8	0.0	9	0.0	9	0.0	9	0.0
Total External	7,155	30.5	7,974	31.7	8,528	30.8	8,400	28.8
Total Domestic	3,380	14.4	3,796	15.1	4,028	14.5	4,294	14.7

Sources: Cameroonian authorities and IMF staff calculations.

1/ Reflects rebasing of the national accounts from 2005 to 2016.

2/ Staff estimate includes arrears, floats, and "floating" domestic debt at the Treasury as defined in the TMU, while authorities' estimate only includes overdue payments of more than three months.

3/ Authorities' estimate of historical SONARA debt varys significantly with previous data. Staff maintains estimates in the previous DSAs. The authorties data include other SOEs' domesit debt.

4/ Difference in estimates is due to the scope of coverage as described in paragraph 2 and related footnotes.

5. In line with Cameroon's debt strategy to increase average maturity of public debt, the share of multilateral debt in the composition of government external debt continues to rise. It reached 47.1 percent of the total PPG external debt as of September-2023 (Text Table 4), compared to 43.9 percent as of end-2022. The WB loans accounted for 37.6 percent of multilateral loans or 17.7 of total external debt during the same period. Both bilateral and commercial debts have been declining. In terms of external commitments signed in 2022, the amount reached CFAF 812 billion, including project loans CFAF 553.2 billion, of which two-thirds are concessional. As of end-September 2023, nine projects amounting to CFAF 321 billion have been signed in 2023.

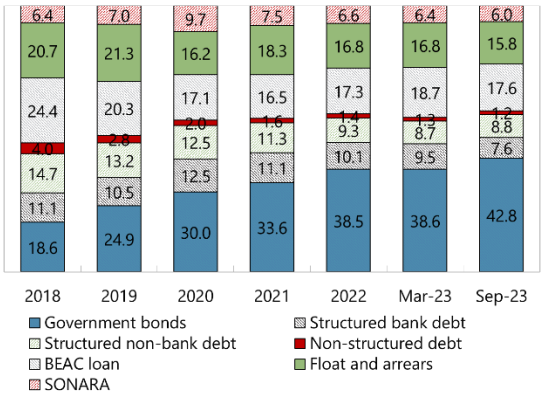
Text Table 4. Cameroon: External Debt Composition

	2020	2021	2022	Sep-23	2020	2021	2022	Sep-23
	(Billions of CFAF)				(Percent, share)			
Total PPG External Debt (staff estimate)	**7155**	**7974**	**8528**	**8400**	**100.0**	**100.0**	**100.0**	**100.0**
Debt of the central government	**6747**	**7578**	**8153**	**8053**	**94.3**	**95.0**	**95.6**	**95.9**
Multilateral	**2764**	**3268**	**3742**	**3954**	**38.6**	**41.0**	**43.9**	**47.1**
IMF	546	671	789	849	7.6	8.4	9.3	10.1
World Bank (IDA, IBRD)	1029	1214	1397	1487	14.4	15.2	16.4	17.7
African Development Bank/Fund	826	906	1006	1048	11.5	11.4	11.8	12.5
Other Multilateral	364	477	550	571	5.1	6.0	6.4	6.8
Bilateral	**3070**	**3298**	**3405**	**3145**	**42.9**	**41.4**	**39.9**	**37.4**
Paris Club	1020	1089	1009	940	14.3	13.7	11.8	11.2
Non-Paris Club	2050	2209	2396	2206	28.6	27.7	28.1	26.3
of which: China	1895	2046	2232	2047	26.5	25.7	26.2	24.4
Commercial	**913**	**1012**	**1006**	**954**	**12.8**	**12.7**	**11.8**	**11.4**
of which: Eurobond	450	542	542	542	6.3	6.8	6.4	6.5
Guaranteed external debt	**29**	**21**	**13**	**10**	**0.4**	**0.3**	**0.2**	**0.1**
Unguaranteed SOE debt (incl. arrears)	**379**	**374**	**362**	**337**	**5.3**	**4.7**	**4.2**	**4.0**
SONARA	370	365	353	328	5.2	4.6	4.1	3.9
Others	8	9	9	9	0.1	0.1	0.1	0.1

Sources: Cameroonian authorities, and IMF staff calculations.

6. The domestic debt increased in the first three quarters of 2023(Text Figure 1). Government bond issuance (including Bons du Trésor Assimilables (BTA) and Obligations du Trésor Assimilables (OTA))—which reached 38.5 percent of the total domestic public debt at end-2022—increased further amidst new issuances in the second half of 2023. In July 2023, Cameroon conducted a new round of government issuance (ECMR 2023) in the Central African Securities Exchange (BVMAC). A total of CFAF 176.6 billion including planned CFAF 150 billion and additional oversubscription was raised from the primary market. Remaining flat in value, the float and arrears decreased in share.

Text Figure 1. Cameroon: Domestic Public Debt Composition (in percentage, share in total)



7. Average maturity of public debt and weighted cost was largely unchanged in the past one year. As of September 2023, the average maturity of public debt reached 7.8 years, where the respective maturities of external debt and domestic debt were 9.2 and 4.4 years. The weighted cost for debt was 2.3 percent in September 2023, unchanged compared to the value a year ago.

8. While remaining elevated, the stock of contracted-but-undisbursed debt (SENDs) declined modestly in 2022 and further in 2023. The stock of SENDs (excluding budget support) signed by the authorities was CFAF 3,484 billion as of September 2023, compared to CFAF 3,673.2 billion at the end-2022 or CFAF 3,681.4 billion at end-2021 (Text Table 5). The structural benchmark of the publication of the decree specifying the modalities for monitoring the performance of the project management units (SB8, August 2023), following the decree of October 2021 governing the project management unit, has been met with a delay. The debt management agency had a stock taking assessment of existing loan and grant agreement related to 180 projects, in preparation of consulting with development partners regarding cancelling non-performing SENDs and negotiating reallocation of unused external credit lines to other projects where applicable. Timely disbursement according to the schedule is a prerequisite to contain SENDs going forward, amidst the need to sign more new projects to address the urgent infrastructure gap. As part of measures to accelerate the disbursement, performance clauses have been established with project management units.

Text Table 5. Cameroon: Stock of SENDs

	2019		2020		2021		2022		Sep-2023	
	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/	Bn CFAF	% GDP 1/				
SENDs	**3470**	**14.9**	**3146**	**13.4**	**3681**	**14.6**	**3673**	**13.3**	**3484**	**11.9**
Domestic	65	0.3	0	0.0	0	0.0	0	0.0	0	0.0
External 2/	3405	14.6	3146	13.4	3681	14.6	3673	13.3	3484	11.9
o/w multilateral	1671	7.2	1769	7.5	2223	8.8	2412	8.7	2151	7.4
o/w bilateral	1121	4.8	824	3.5	777	3.1	603	2.2	648	2.2
o/w commercial	613	2.6	554	2.4	681	2.7	658	2.4	685	2.3

1/ Reflects rebasing of the national accounts from 2005 to 2016.

2/ Excludes budget support.

Sources: Cameroonian authorities, and IMF staff calculations.

9. The stock of the guaranteed debt and the unguaranteed SOE debt has declined in 2022. The outstanding stock of guaranteed debt declined to CFAF 9.9 billion as of September 2023 from CFAF 21.3 billion at end-2021 or 13.1 billion at end-2022.[6] The unguaranteed SOE debt as agreed in the TMU, which constitutes SONARA debt and other SOEs' external debt (including external arrears),[7] also declined somewhat in the first three quarters of 2023.

10. There were temporary breaches of the zero ceiling on the accumulation of external payment arrears (QPC). This continuous QPC was breached with minor and short delays of debt service to a creditor in 2023. It is critical to improve debt service management mechanism, better coordination among the government agencies, and limiting spending through exceptional procedures. An SB and a revised IT have been introduced to address the key factors underlying the breaches including treasury advances and

[6] The guaranteed debt results solely from the old agreements, and additional guaranteed debt has not incurred since 2021.

[7] External arrears of SONARA are estimated by calculating the short-term external debt, including external supplier debt open account and old stock (2013 and 2014). External arrears of SONARA and other SOEs constituting non-payments to oil suppliers are included in DSA. While the DSA takes into account part of SOEs' debt and arrears, the arrears of SOEs do not represent government insolvency and/or illiquidity as these liabilities fall on the indebted SOEs and not the government.

tighter domestic financing conditions. The debt management operation to borrow long-term external debt to pay down domestic arears will also help improve liquidity profile. As of end-September 2023, there were no outstanding external debt payment arrears.

11. Cameroon's capacity to monitor and manage public debt for the purposes of the IMF's debt limits policy is adequate, but further improvements are needed. Cameroon's public debt management has been improving over time. All project financing proposals and projects financed through PPPs are examined by the National Public Debt Committee (CNDP) and signing of a new loan agreement is granted only when there is unconditional approval. Procedures and responsibilities for loan operations and public debt management have been clarified in the manual published in 2019. However, CNDP's engagement is often delayed until late in the debt contracting process, and Cameroon's debt policy is yet to be firmly anchored by its medium-term debt management framework, resulting in significant discrepancies between announced plans and actual financing. On the other hand, CNDP's scope has been extended to all domestic and external borrowing, bond issuances and innovative financing SOEs' loans and PPP contracts, contracted by the State including CTDs, public companies and public establishments. Further efforts are warranted to strengthen active engagement of the CNDP and enhance the effectiveness of the medium-term public debt strategy (MTDS), including through improved estimates of financing needs, development of consistent annual borrowing plans, and an enhanced communication strategy to facilitate creditors' understanding of the authorities' debt management objectives.

12. External private sector debt decreased in 2021. Available data from the World Bank International Debt Statistics (IDS) indicate that non-guaranteed private external debt reached CFAF 620 billion (2.5 percent of GDP) at end-2021, compared to CFAF 921 billion at end-2020.

B. Macroeconomic Forecast

13. Cameroon's economy continues to recover in 2022, supported by stronger fiscal and external positions amidst higher energy prices. Economic recovery continued in 2022 with the real GDP growing at 3.6 percent, stable compared to the previous year. The average inflation increased significantly to 6.3 percent amidst the global inflationary environment, from 2.3 percent one year. The overall fiscal deficit (payment order basis, excluding grants) declined to 1.5 percent in 2022, and the current account deficit narrowed to 3.4 percent of GDP in 2022.

14. Growth is expected to strengthen in 2023 but remain lower than projected in the previous DSA vintage, while end-year inflation is expected to remain elevated. The real GDP growth rate is projected at 4.0 percent in 2023, supported by non-oil GDP growth. Although showing a sign of peaking-out after recording 9.5 percent in November 2022, inflation stayed elevated in the first half of 2023 and is projected to be 7.2 percent on average in 2023, before returning to around 3 percent in the medium term. The fiscal deficit is expected to stay low, contributing to containing the current account deficit. The baseline scenario is subject to possible headwinds from multiple fronts, including a prolonged war in Ukraine, an escalation of geopolitical tensions, elevated import prices, continued supply chain disruptions, the domestic security situation, and slow reforms.

15. Cameroon's prospects remain favorable in the medium term. The country could benefit from ongoing structural reforms to accelerate economic growth, mobilize fiscal revenues, and reduce debt vulnerabilities. Of the nine structural benchmarks (SBs) for the fifth review, three were met on schedule, three were implemented with delay, and three have been rescheduled or reformulated. Cameroon has a strong record of implementing its macroeconomic programs, maintains close engagement with donors, and its comprehensive capacity development program is well-aligned with the program objectives. The authorities are committed to adopting other contingency measures to achieve program objectives, including a revised budget. Debt sustainability risks could also be further mitigated by strengthened public debt management and reduced reliance on non-concessional borrowing. In the medium term, growth is expected to average at around 4.3 percent, and inflation is projected to stabilize around 3 percent. Macroeconomic assumptions underpinning these projections are laid out in Box 1.

Box 1. Cameroon: Medium- and Long-Term Macroeconomic Assumptions

Medium Term, 2023-2027

- Real GDP growth is projected to average 4.3 percent in the medium term (2023-2027), revised down by 0.1 percentage point from the previous DSA, reflecting the downward revision of projected oil GDP growth but partially offset by a better outlook for the gas sector. Meanwhile, agro-industries, forestry, and services will continue to support growth. In comparison, the average growth was 4.4 percent in the pre-COVID-19 period (2011-2019). The projection also builds on continued implementation—some with delays—of growth-enhancing reforms under the IMF program, including lifting business impediments through a regular consultation with the private sector; revising the law on private investment incentives to promote competition; and revamping customs and port systems to reduce transit time and costs.
- Average annual inflation is projected to stay elevated around 7.2 percent in 2023 and is expected to moderate to 5.9 percent in 2024, with an upward revision in both 2023 and 2024. Inflationary pressures are expected to subside further in the following years. Overall, considering BEAC's efforts to curb inflation, the Cameroonian authorities' fiscal consolidation and the fixed exchange rate with the Euro in the monetary union, inflation is expected to decline gradually, approaching 2.0 percent in the long term, below the CEMAC convergence criterion of 3 percent and compared to the average inflation of 1.8 percent during 2010-2019.
- The fiscal balance is expected to improve in a gradual manner, after the deficit narrowed more than expected in 2022 due to under-spending. In 2023, the revenue gain will continue while there could be more pressure on expenditure partly related to a carryover of fuel-subsidy cost from 2022 and a substantial portion of the subsidy is also carried over from 2023 to 2024. The authorities adopted a three-year plan (2023-25) for modernizing the country's fiscal system and are working on a few tax policy measures based on the tax policy diagnostic by the IMF FAD in 2022.[1] Meanwhile, they are committed to reducing the non-oil primary deficit further in 2024 to below 2 percent of GDP. The fiscal deficit (excluding grants, payment order basis) is expected to average 0.9 percent of GDP (2024-2028).

[1] In the budget law 2024, revenue-enhancing measures include phasing out of tax exemptions for businesses on interest from government securities, full taxation of benefits in kind, reduction of VAT exemptions on carbonated drinks and introduction of electronic invoice tracking, and others.

Box 1. Cameroon: Medium- and Long-Term Macroeconomic Assumptions (concluded)

- The current account balance is expected to improve gradually, to around 2.5-3.0 percent of GDP in the medium term—it improved in 2022 as higher oil and non-oil commodity exports outweighed the increase in imports. Net foreign direct investment (FDI) inflows are expected to recover and average 2.3 percent of GDP in the medium term, close to the level observed in 2019. Given a continued fiscal consolidation in the medium term, building a more conducive business environment and enhancing governance is critical to attract more foreign investment. On this front, reforms such as revising law No 2013/004 of April 18, 2013 (SB5) could help to rationalize incentives and promote healthy competition, contributing to economic diversification.

Long Term, 2028-2042

- Long-term growth is expected to remain stable at 4.8 percent. The projection is predicated on a successful—albeit delayed—implementation of Cameroon's national development strategy, SND-30, that aims to boost growth, including through accelerating structural reforms and strengthening SOE management and oversight, while promoting economic diversification.[2] The strategy also aims to accelerate infrastructure projects in transport and electricity, enabling a more conducive business environment and reduce cost of production and barriers to trade.
- Fiscal revenue is projected to increase. The implementation of the Medium-Term Revenue Strategy (MTRS) is expected to boost revenue mobilization. The baseline projection also assumes that a gradual fiscal consolidation will continue beyond the program horizon.
- Exports of goods and services are projected to decline as a share of GDP in the medium term reflecting falling domestic oil production. The path improved somewhat from the last review amidst higher projected global energy prices going forward. The current account is expected to continue to improve in the medium term amidst rising natural gas production and more dynamic non-oil exports. Export diversification for both product lines and destinations, including a more intensive regional trade taking advantage of the African Continental Free Trade Area (AFCTA) will underpin an improvement of export performance over the long run.

[2] Policy reform scenarios show sizeable positive implications on potential growth, including through greater economic diversification, financial deepening, strengthened investment efficiency, and a gradual elimination of subsidies to SOEs and the removal of cross-sectoral distortions.

Table 6. Cameroon: Key Macroeconomic Assumptions[1]

	2021	2022	2023	2024	2025	2026	2027	2028	2024-2028	2029-2043
Real GDP growth (percent)										
Current	3.6	3.6	4.0	4.3	4.5	4.5	4.5	4.6	4.5	4.8
5th ECF-EFF review	3.6	3.6	4.0	4.3	4.5	4.5	4.5	4.6	4.5	4.8
ECF-EFF 4th review	3.6	3.8	4.0	4.2	4.4	4.5	4.5	4.6	4.5	4.8
ECF-EFF 3rd review	3.6	3.4	4.3	4.4	4.5	4.6	4.7	4.7	4.6	4.8
ECF-EFF 2nd review	3.6	3.8	4.6	4.7	5.0	4.9	4.9	4.9	4.9	4.9
ECF-EFF 1st review	3.5	4.5	4.8	5.0	5.1	5.1	5.2	5.2	5.1	5.4
ECF-EFF program request	3.6	4.6	4.9	5.3	5.4	5.6	5.6	5.7	5.5	5.8
Inflation (CPI, period average)										
Current	2.3	6.3	7.2	5.9	5.5	4.9	3.4	2.5	4.4	2.0
5th ECF-EFF review	2.3	6.3	7.2	5.9	5.5	4.9	3.4	2.5	4.4	2.0
ECF-EFF 4th review	2.3	6.3	6.2	4.8	3.0	2.3	2.0	2.0	2.8	2.0
ECF-EFF 3rd review	2.3	5.3	5.9	4.7	3.0	2.3	2.0	2.0	2.8	2.0
ECF-EFF 2nd review	2.3	4.6	2.8	2.6	2.1	2.1	2.0	2.0	2.1	2.0
ECF-EFF 1st review	2.3	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
ECF-EFF program request	2.3	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Overall fiscal balance (excl. grants, payment order basis, percent of GDP)										
Current	-3.2	-1.5	-1.0	-0.7	-0.6	-0.9	-1.0	-0.9	-0.8	-1.7
5th ECF-EFF review	-3.2	-1.5	-1.0	-0.7	-0.6	-0.9	-1.0	-0.9	-0.8	-1.7
ECF-EFF 4th review	-3.2	-1.5	-1.1	-1.0	-0.6	-0.9	-1.1	-1.0	-0.9	-1.7
ECF-EFF 3rd review	-3.2	-2.4	-1.1	-0.9	-0.5	-0.8	-1.2	-1.1	-0.9	-1.7
ECF-EFF 2nd review	-2.6	-2.5	-0.5	-0.6	-0.6	-1.4	-1.4	-1.2	-1.0	-1.0
ECF-EFF 1st review	-3.4	-2.4	-0.6	-0.8	-0.4	-0.6	-1.0	-1.5	-0.9	-1.7
ECF-EFF program request	-3.3	-3.0	-2.4	-2.2	-1.3	-1.4	-1.8	-1.9	-1.7	-1.6
Total revenue (excl. grants, percent of GDP)										
Current	13.7	15.6	15.6	15.6	15.3	15.5	15.6	15.7	15.5	16.6
5th ECF-EFF review	13.7	15.6	15.6	15.6	15.3	15.5	15.6	15.7	15.5	16.6
ECF-EFF 4th review	13.7	15.6	15.6	15.2	15.1	15.2	15.2	15.3	15.2	16.5
ECF-EFF 3rd review	13.7	15.6	15.1	15.0	15.0	15.1	15.3	15.3	15.1	17.0
ECF-EFF 2nd review	13.9	14.9	15.6	15.4	15.4	15.3	15.3	15.7	15.4	16.5
ECF-EFF 1st review	13.6	14.4	15.6	15.9	16.4	17.0	17.0	16.6	16.6	17.2
ECF-EFF program request	14.3	15.1	15.5	16.0	16.6	17.2	17.4	17.5	16.9	18.0
Total expenditure (percent of GDP)										
Current	16.9	17.1	16.6	16.3	15.9	16.4	16.6	16.7	16.4	18.3
5th ECF-EFF review	16.9	17.1	16.6	16.3	15.9	16.4	16.6	16.7	16.4	18.3
ECF-EFF 4th review	16.9	17.1	16.7	16.1	15.7	16.0	16.3	16.4	16.1	18.3
ECF-EFF 3rd review	16.9	18.0	16.2	16.0	15.5	15.9	16.4	16.4	16.0	18.7
ECF-EFF 2nd review	16.5	17.4	16.1	16.0	15.9	16.7	16.7	16.9	16.5	17.5
ECF-EFF 1st review	17.0	16.7	16.2	16.8	16.8	17.6	18.0	18.2	17.4	18.9
ECF-EFF program request	17.9	18.0	17.7	18.0	17.9	18.6	19.1	19.2	18.6	19.4
Current account balance (incl. grants, percent of GDP)										
Current	-4.0	-3.4	-3.0	-2.8	-2.5	-2.8	-2.7	-2.7	-2.7	-1.9
5th ECF-EFF review	-4.0	-3.4	-3.0	-2.8	-2.5	-2.8	-2.7	-2.7	-2.7	-1.9
ECF-EFF 4th review	-4.0	-1.8	-2.9	-3.0	-2.7	-2.9	-2.9	-3.0	-2.9	-2.0
ECF-EFF 3rd review	-4.0	-1.6	-2.8	-3.0	-2.6	-2.5	-2.5	-2.5	-2.6	-2.8
ECF-EFF 2nd review	-4.0	-2.1	-2.6	-3.2	-3.3	-3.2	-2.9	-2.8	-3.1	-2.3
ECF-EFF 1st review	-3.4	-2.0	-3.1	-3.2	-3.1	-3.0	-2.8	-2.8	-3.0	-2.5
ECF-EFF program request	-4.0	-3.6	-3.4	-3.2	-2.8	-2.5	-2.3	-2.0	-2.6	-2.1
Exports of goods and services (percent of GDP)										
Current	16.4	19.5	18.3	18.0	17.7	16.9	16.3	16.0	17.0	15.9
5th ECF-EFF review	16.4	19.5	18.3	18.0	17.7	16.9	16.3	16.0	17.0	15.9
ECF-EFF 4th review	16.4	20.0	18.1	17.3	17.2	16.9	16.6	16.5	16.9	16.4
ECF-EFF 3rd review	16.4	20.2	18.0	17.2	17.0	16.9	16.9	17.0	17.0	16.5
ECF-EFF 2nd review	18.2	22.4	20.1	18.2	17.4	16.8	16.4	16.3	17.0	15.2
ECF-EFF 1st review	17.3	19.0	17.4	16.7	16.4	16.2	15.9	15.7	16.2	14.5
ECF-EFF program request	17.6	18.0	17.5	17.5	17.5	17.5	17.4	17.1	17.4	15.4
Oil price (US dollars per barrel)										
Current	69.2	96.4	80.5	79.9	76.0	72.7	69.9	67.5	73.2	74.4
5th ECF-EFF review	69.2	96.4	80.5	79.9	76.0	72.7	69.9	67.5	73.2	74.4
ECF-EFF 4th review	69.2	96.4	75.3	69.8	67.6	66.0	64.7	63.7	66.3	70.2
ECF-EFF 3rd review	69.2	96.4	81.9	77.1	72.6	69.1	66.4	64.3	69.9	70.9
ECF-EFF 2nd review	69.1	106.8	92.6	84.2	78.5	74.7	72.5	73.6	76.7	81.1
ECF-EFF 1st review	69.8	75.7	70.2	67.3	65.2	63.8	63.1	64.1	64.7	70.7
ECF-EFF program request	58.5	54.8	52.5	51.3	50.7	50.5	50.5	50.5	50.7	50.5

Sources: Cameroonian authorities; IMF staff calculations.

1/ Reflects rebasing of the national accounts from 2005 to 2016.

16. The baseline projection also reflects policy parameters in the context of the IMF-supported program and PPAs under the World Bank SDFP, as well as the assumption of global decarbonization efforts. The IMF-supported program envisages a gradual fiscal consolidation path reflecting revenue measures, including strengthening tax and customs administration, streamlining tax exemptions, and recovering tax arrears. The assumptions on the fuel subsidy include a gradual reduction of the fuel subsidy to zero in 2025 through regular increases in domestic pump prices, after the hike in 2023 and the one expected in early 2024. In addition, the baseline projection assumes that Cameroon will continue to remain on track implementing the PPAs (including those envisaged as PPAs in FY24) on management of fiscal risks and on contracting of non-concessional debt[8], as part of the government's efforts to address key debt vulnerabilities. These measures will create space to support spending with higher economic and social impact and strengthen public investment, which would result in a gradual recovery in the medium term, followed by a more benign growth outlook, a higher export base, and stronger revenue mobilization in the long run. Meanwhile, the continued efforts on global decarbonization would impose a downward pressure on both demand and price of fossil energy, such as crude oil and gas, which are Cameroon's main exports. The baseline has taken the related price and volume trajectories into account.

17. Financing assumptions have been updated based on the most recent data and information, including the RSF financing. Cameroon's public gross financing needs over the 2023-25 period are estimated at around CFAF 4,700 billion (15.8 percent of 2023 GDP), of which around 70 percent is assumed to be financed externally. The DSA reflects IMF financing of CFAF 436 billion and prospective budget support from donors amounting to CFAF 215.3 billion in 2023-2025, program extension and augmentation, as well as an arrangement under the RSF.[9] The eight reform measures under four pillars in the RSF program, including integrating climate considerations at each phase of capital project development and the adoption of national climate plan, will help formulate the authorities' baseline scenario in climate-related investments and strengthen the management. External project financing is based on the budget, and the mix of new disbursements is assumed to follow the composition of SENDs as of end-2022. After 2025, the composition gradually shifts towards commercial borrowing with a decreasing grant element. Financing terms for IDA reflect Cameroon's status as a blend county and were updated to account for the new IDA 20 instruments. In line with the previous DSA, domestic financing assumptions reflect a gradually increasing share of longer maturity bonds following the authorities' MTDS. In 2023, the issued ECMR2023 with four different tranches helped further diversify treasury bonds. Three credit rating agencies has downgraded Cameroon's bond rating in response to delayed payments to a lender in 2023. The political developments in Gabon also had a spillover effect towards Cameroon's bond market with the yield trading higher in September. The underlying financing assumption has been updated, reflecting tighter-than-

[8] The share of non-concessional loans accounts for around 20 percent of the stock of SEND.

[9] According to the WB's Country Climate and Development Report, the negative impact of climate change on GDP ranges between 4 to 10 percent by 2050 in Cameroon. For instance, an adaption investment of USD 32billion over a horizon of 10 years and additional mitigation investment of USD 26 billion under the reform scenario would effectively limit the GDP losses, reverse the losses in agriculture, and reduce the poverty rate, potentially turning into an opportunity. In a simulation based on the Debt, Investment, Growth, and Natural Disaster model, upfront adaption investment will reduce GDP losses in the event of climate shock and the recovery is faster. In the current DSA baseline, RSF financing replaces more expensive financing, which leads to improvement of total public debt indicators with a slight deterioration of external debt ratios. The overall impact to DSA is limited.

before financing environment. To reduce the overall pressure in the short- to medium-term public debt service and enhance the capacity to clear domestic arrears in 2023, the authorities aim to carry out a debt management operation in 2024 to help pay down unpaid domestic obligations which is assumed in the current projection.

18. The reform measures under the RSF package will help the authorities concretize the climate-related investment plan and improve management. A regulatory act will be issued to define central role of the Ministry of Environment, Nature Protection and Sustainable Development (MINEPDED) as the key authority responsible for the coordination of the climate agenda supported by the Ministry of Economy and the Ministry of Finance. MINEPDED will define and publish the criteria for prioritization and selection of projects integrating climate change-related criteria, which will lead to the formulation of the climate investment plan. The DSA baseline will be updated accordingly once the investment plan is available.[10]

19. The financing assumption regarding SONARA has not been revised from the last DSA vintage, as the details of the restructuring plan are yet to be finalized. On debt restructuring, it reached agreement with its main supplier in September 2022 to pay down its debt, one step forward after restructuring debt with domestic banks in October 2021.[11] After the agreement with another supplier on 12 December 2023, two remaining suppliers are expected to sign in the first quarter of 2024. A restructuring outline for SONARA and an action plan—with the core idea to advance the restructuring plan based on PPP—has been delayed and rephased (SB6, rephased from September 2023 to June 2024). Staff maintains the current assumption that a projected zero net income instead of mild positive income as per SONARA's own projection is assumed, and the cost of potential reconstruction of the refinery operation is not incorporated in the baseline.

20. The realism tool highlights risks to the baseline projections (Figure 3). The projected three-year fiscal adjustment is considered achievable given distribution of LIC fiscal adjustments under the past IMF programs. The growth projection deviates from the paths implied by the projected fiscal consolidation, but they may not fully capture other drivers of growth such as the rebound from opening the economy following the COVID-19 pandemic or stronger net exports driven by higher prices for oil and non-oil commodity products.

21. The forecast realism tool indicates different debt dynamics compared to historical developments, suggesting potential challenges (Figure 4). The real GDP growth is projected to help reduce further the external debt ratio, while the changes of the exchange rate are expected to have a noticeable impact on the external debt dynamics. The projected improvement in the public debt ratio is driven by the declining primary deficit reflecting expected fiscal consolidation and stronger real GDP growth. The unexpected increase in public debt during the past 5 years is higher compared to other LICs.[12]

[10] There is no direct effect on the current account and the primary fiscal balance in the baseline.

[11] Upon the agreement, as of September 2023, the state has started to pay to traders four times since December 2020.

[12] The nominal GDP for DSA 2017 has been rebased.

Large unexplained residuals for past debt-creating flows highlight risks but may be explained by the broadened debt perimeter including domestic arrears and SONARA's debt.

C. Country Classification and Determination of Scenario Stress Tests

22. Cameroon's debt carrying capacity remains weak. The Composite Indicator (CI) score based on the October 2023 WEO projections and the 2022 World Bank CPIA score is 2.61, signaling a weak debt-carrying capacity.[13] The higher CI score compared to the previous DSA mainly reflects higher reserves, despite lower remittances and world economic growth. (Text Table 7).

Text Table 7. Cameroon: Calculation of the CI Index

Country	Cameroon
Country Code	622

Debt Carrying Capacity	Weak

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Weak	Weak 2.61	Weak 2.57	Weak 2.67

Reference: Thresholds by Classiciation

EXTERNAL debt burden thresholds	Weak	Medium	Strong
PV of debt in % of			
Exports	140	180	240
GDP	30	40	55
Debt service in % of			
Exports	10	15	21
Revenue	14	18	23

TOTAL public debt benchmark	Weak	Medium	Strong
PV of total public debt in percent of GDP	35	55	70

23. Stress tests follow standardized settings, with the addition of a market financing shock and a commodity price shock. The standardized stress tests apply the default settings, while the contingent liability stress test is based on the quantification of contingent liabilities discussed above. The tailored stress tests for Cameroon include a market financing shock and a commodity price shock due to an outstanding Eurobond and exports of fuel and other commodities making up more than 50 percent of total exports. For these shocks the standard scenario designs are applied.

DEBT SUSTAINABILITY

A. External Debt Sustainability

24. External risk of debt distress is assessed to remain high as two indicators breach the thresholds under the baseline scenario (Figure 1 and Table 3). The external debt service-to-exports ratio and the external debt service-to-revenue ratio breach their respective thresholds for a prolonged period. On the other hand, both ratios show a gradual downward path due to stronger revenue prospects,

[13] The score assesses a country's debt-carrying capacity drawing on a set of country-specific and global factors (including institutional strength measured by the World Bank calculated on the CPIA score).

and the external debt service-to-revenue ratio will decline below the threshold after 2028. The upticks on the longer end reflect a jump of projected debt service related to the maturing Eurobond.

25. Thresholds for all four indicators are breached upon the most extreme stress scenarios. The commodity price shock is the most extreme shock scenario across all external debt indicators.[14] Historical scenario points towards an exploding PV of debt-to-exports, which reflects a large historical current account deficit. This differs from the projection under the baseline, which assumes the improvement in the current account balance driven by dynamic non-oil exports and moderate imports growth supported by fiscal balance converging to the CEMAC criterion.

B. Public Debt Sustainability

26. Risk associated with public debt distress is also assessed to remain high in face of the breach of the PV of debt-to-GDP ratio under the baseline scenario in 2023. However, the breach is temporal and is projected to fall below the benchmark in 2024 onwards. The PV of debt-to-revenue ratio and the debt service-to-revenue ratio are also projected to decline gradually.[15] The most extreme shock for public debt indicators, including the PV of debt-to-GDP ratio, the PV of debt-to-revenue ratio and debt-service-to-revenue ratio, are the commodity price shock.[16] The historical scenario projects an explosive path for the PV of debt-to-GDP and PV of debt-to-revenue ratios, which is mainly driven by large historical primary deficits compared to projections.

C. Market Module

27. The market financing tool points to risks associated with market financing pressures (Figure 5). Cameroon's maximum three-year gross financing needs are estimated at 6 percent of GDP, which is lower than the suggested benchmark (14 percent). The latest available EMBI spread for Cameroon (933 bps as of December 29, 2023) is above the benchmark (570 bps).[17] With the EMBI spread breaching its threshold, the module signals continued market financing pressures.

D. Risk Rating and Vulnerabilities

28. While Cameroon continues to be in a high risk of debt distress, its debt remains sustainable. The risk of external debt distress remains high as two out of four indicators temporarily breach the thresholds under the baseline scenario. In addition, the PV of public debt-to-GDP ratio is above the benchmark, indicating a high risk of overall debt distress. On the other hand, Cameroon's external debt

[14] Extreme shocks in the previous vintages, which include exchange rate, real GDP and inflation, the primary balance and export shocks, continue to be critical to debt sustainability, requiring the authorities' continued effort in fiscal consolidation and increasing non-oil exports through economic diversification.

[15] The debt service of existing debt has been updated by the authorities, including adjusted repayment schedules for some structured debt, exchange rate depreciation and interest rate assumptions.

[16] For the commodity price shock stress test, initial price drop of 51 percent for fuel products and 34 percent for other agricultural commodities is assumed, with a mitigating factor of 14 percent for fuel products. The gap is assumed to close in six years.

[17] The current DSA cites the data from IMF MCM's Sovereign Spread Monitor.

stock indicators continue to lie below the threshold, and its external debt service indicators have improved supported by the authorities' active debt management. Both the debt service-to-exports ratio and the debt service-to-revenue ratio, albeit above the thresholds, will be on a gradual downward trend. Compared to the previous DSA report, the debt indicators have improved somewhat on the back of a stronger national currency and a more favorable commodity price outlook. Taking all these factors into consideration, staff maintains the assessment that Cameroon's debt is sustainable given the authorities' commitment to program objectives, including fiscal consolidation efforts and active debt management. The likelihood that Cameroon will not be able to meet its current and future financial obligations is low.

29. The risks are tilted to the downside. On the external front, an escalation of geopolitical tensions could set back the global recovery and prolong supply chain disruptions, putting pressure on the external balance. Longer-than-expected tight global financial conditions could lead to deterioration of the financing environment and higher borrowing costs. The high volatility of global energy prices could introduce uncertainty to both exports and fiscal revenues. On the domestic front, high inflation could intensify socio-economic tensions, while continuing fuel subsidy could reduce fiscal space and derail Cameroon's fiscal consolidation efforts. Delays in implementing SONARA's debt restructuring and rehabilitation plan would jeopardize debt sustainability. Regional security conflicts—if not well contained—could also compound the fiscal challenges. Other risks include a realization of contingent liabilities from bank restructuring and from SOEs not included in the DSA baseline, and an acceleration in disbursements due to the large stock of SENDs. The longer-term risks, including no success in exports diversification and events resulting from climate-related shocks, such as droughts and desertification, could jeopardize debt sustainability.

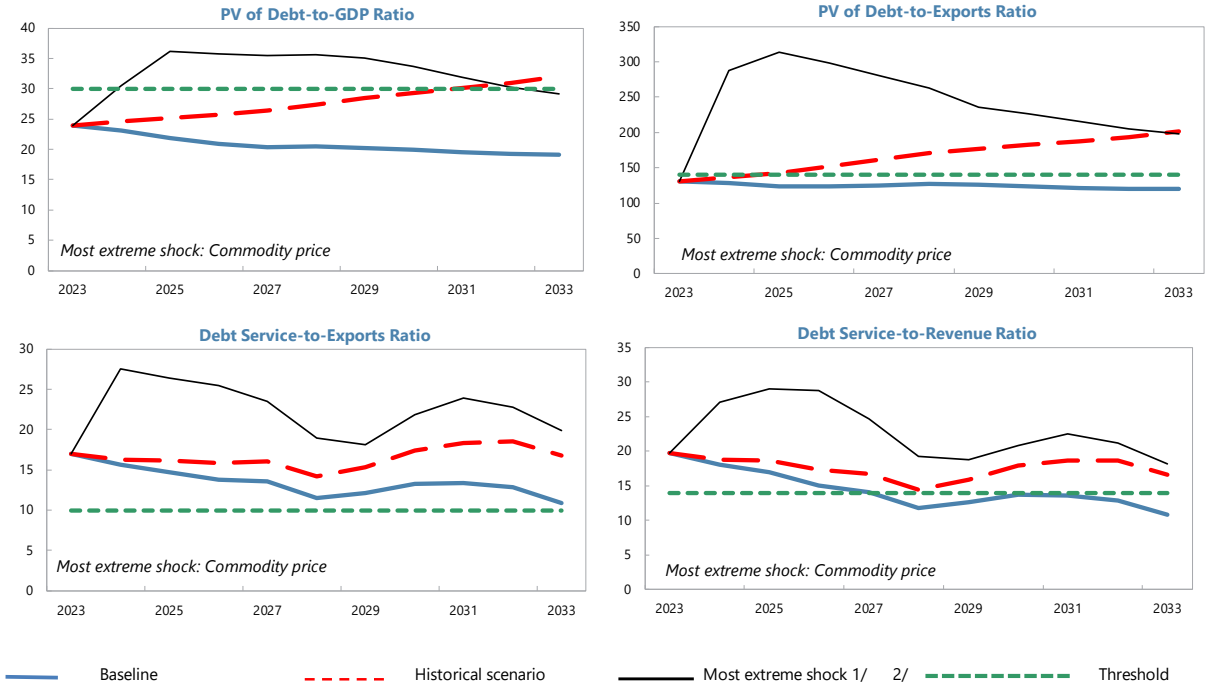
30. Cameroon should push forward its reform agenda steadily to ensure its debt sustainability and reduce associated risks. First, keeping public debt dynamics on a sustainable path requires a gradual fiscal consolidation. Containing fiscal deficit in the short term is needed to ensure debt sustainability. This should be coupled with structural fiscal reforms including further reducing the fuel subsidies and enhancing revenue mobilization. A prudent borrowing policy skewed towards concessional loans and limiting reliance on non-concessional borrowing should be pursued, while strengthening the management of the SENDs. On the other hand, redirecting resources with targeted spending should be strengthened, using windfall oil revenue gains for areas such as protecting the most vulnerable and prioritizing growth-enhancing public investment. Second, the authorities should closely monitor their debt servicing costs and actively manage their debt portfolio to minimize interest rate risks. Third, vulnerable export-related debt indicators point to the need for improving competitiveness and achieving economic diversification. Reform momentum to improve the domestic business and investment environment should be accelerated, inviting more FDI and boosting exports. The management of SOEs should be also strengthened to reduce risks related to contingent liabilities. Lastly, while important challenges remain in the implementation of climate policies as identified in SND-30, the reform package under the RSF could accelerate the progress in addressing climate-related risks and enhance the longer-term debt sustainability.

Authorities' Views

31. The authorities will continue to address various pockets of debt vulnerabilities and appreciate the support from the RSF in advancing climate agenda. The authorities remain committed to an improvement of Cameroon's debt risk assessment amidst heightened risk of debt distress. While the

RSF arrangement will help Cameroon improve its medium-term climate policy stance, replacing more expensive financing and augmenting buffers against shocks linked to structural challenges could also contribute positively to a better environment for debt management.

Figure 1. Cameroon: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2023–2033



Customization of Default Settings

	Size	Interactions
Tailored Stress		
Combined CL	No	
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*

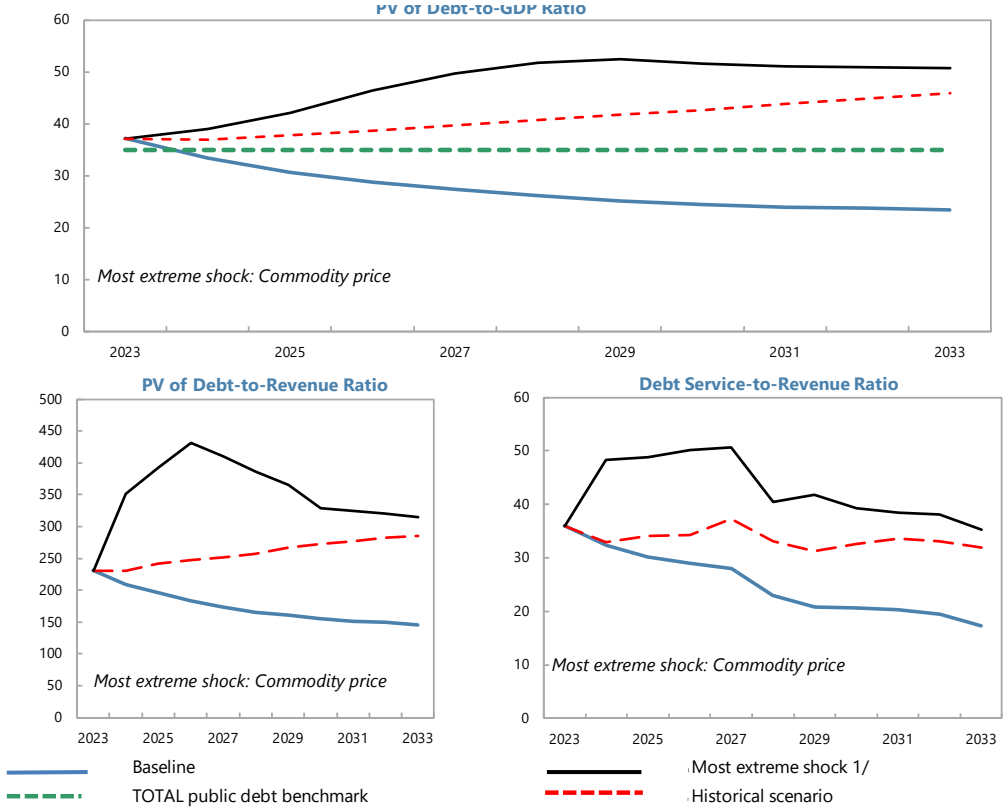
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	3.1%	3.1%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	21	21
Avg. grace period	5	5

* 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 2033. 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.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Cameroon: Indicators of Public Debt under Alternative Scenarios, 2023–2033



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	72%	72%
Domestic medium and long-term	19%	19%
Domestic short-term	9%	9%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	3.1%	3.1%
Avg. maturity (incl. grace period)	21	21
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	2.8%	2.8%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	0.5%	0.5%

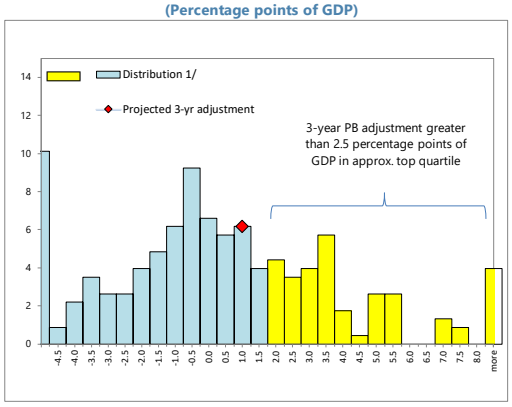
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2033. 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.

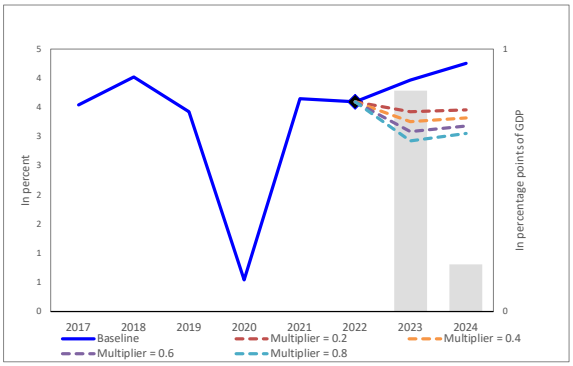
Figure 3. Cameroon: Realism Tools

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



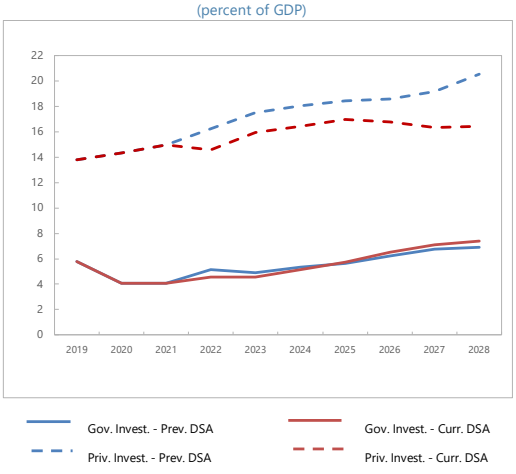
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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)

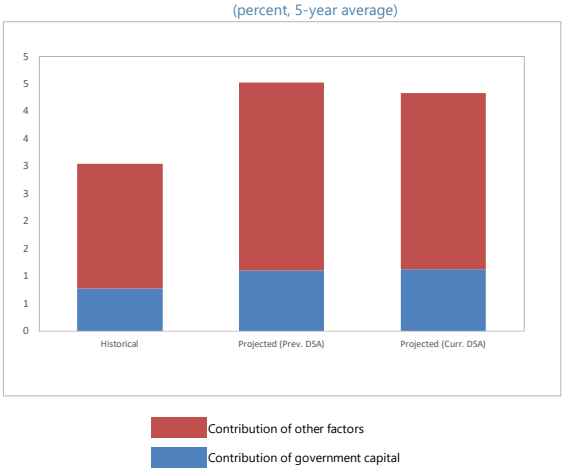
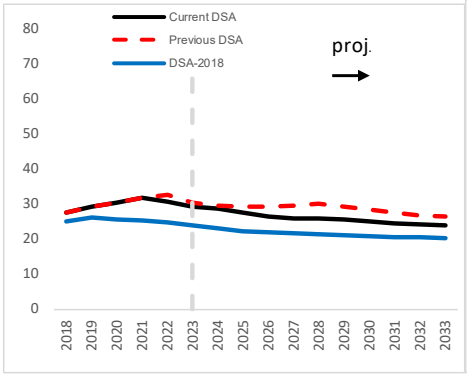
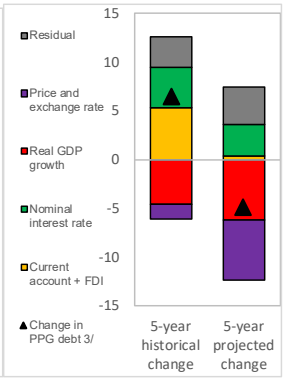


Figure 4. Cameroon: Drivers of Debt Dynamics - Baseline Scenario[3]

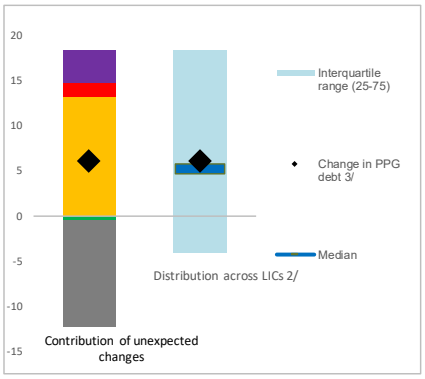
Gross Nominal PPG External Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)

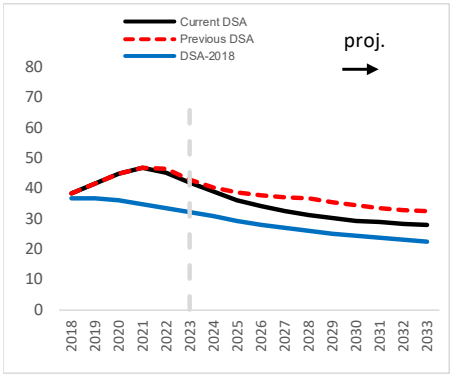


Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)

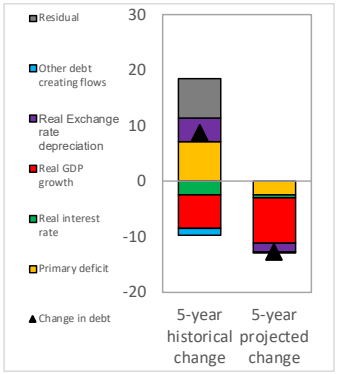


Public debt

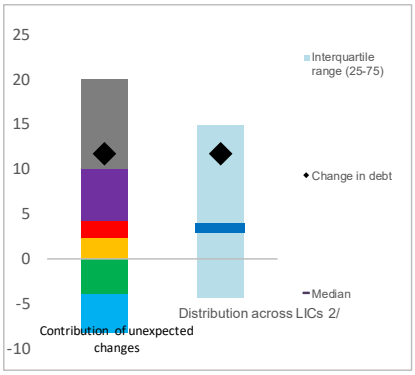
Gross Nominal Public Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)



Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)



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

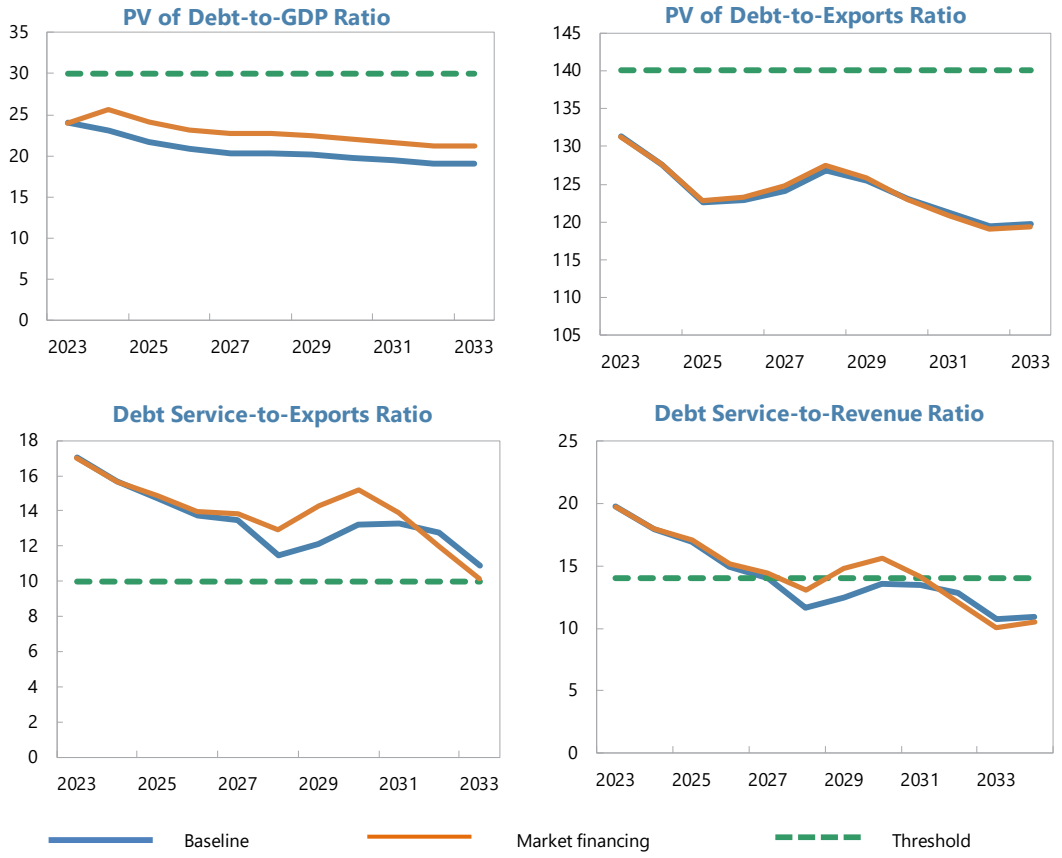
2/ Distribution across LICs for which LIC DSAs were produced.

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.

Figure 5. Cameroon: Market- Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	5	933
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.



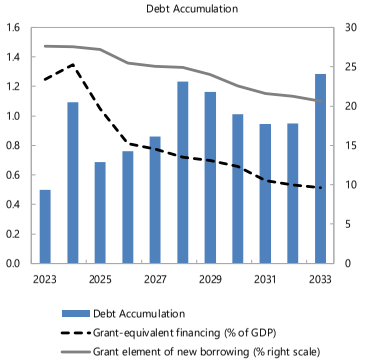
Sources: Country authorities; and staff estimates and projections.

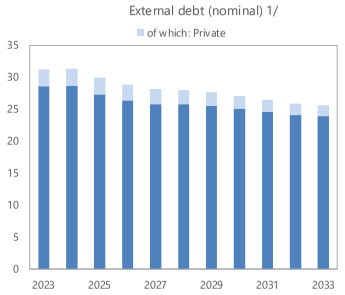
Table 1. Cameroon: External Debt Sustainability Framework, Baseline Scenario, 2020–2043

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
External debt (nominal) 1/	**34.6**	**34.2**	**33.4**	**31.2**	**31.3**	**29.9**	**28.8**	**28.1**	**28.0**	**25.6**	**20.4**	**26.8**	**28.2**
of which: public and publicly guaranteed (PPG)	**30.5**	**31.7**	**30.8**	**28.6**	**28.6**	**27.3**	**26.3**	**25.7**	**25.7**	**23.9**	**19.3**	**24.2**	**25.9**
Change in external debt	1.7	-0.4	-0.8	-2.2	0.1	-1.3	-1.1	-0.7	-0.1	-0.2	-0.7		
Identified net debt-creating flows	**1.3**	**-1.5**	**2.1**	**-0.1**	**-0.4**	**-0.8**	**-0.6**	**-0.7**	**-0.6**	**-0.8**	**-1.3**	**0.7**	**-0.6**
Non-interest current account deficit	**3.1**	**3.3**	**2.7**	**2.4**	**2.1**	**1.8**	**2.1**	**2.1**	**2.1**	**1.6**	**0.5**	**2.8**	**2.0**
Deficit in balance of goods and services	2.7	3.5	2.5	3.2	2.8	2.6	2.7	2.7	2.7	2.4	1.4	**2.8**	**2.7**
Exports	15.0	16.4	19.5	18.3	18.0	17.7	16.9	16.3	16.0	15.9	15.8		
Imports	17.6	19.9	22.0	21.5	20.9	20.2	19.7	19.0	18.7	18.3	17.2		
Net current transfers (negative = inflow)	-1.0	-1.1	-1.6	-1.6	-1.3	-1.4	-1.3	-1.3	-1.3	-1.4	-1.6	**-1.1**	**-1.4**
of which: official	-0.2	-0.2	-0.3	-0.3	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0		
Other current account flows (negative = net inflow)	1.4	0.9	1.8	0.8	0.6	0.6	0.6	0.7	0.7	0.7	0.7	**1.2**	**0.7**
Net FDI (negative = inflow)	**-1.5**	**-2.0**	**-2.0**	**-1.9**	**-1.9**	**-2.0**	**-2.1**	**-2.1**	**-2.1**	**-1.9**	**-1.4**	**-2.0**	**-2.0**
Endogenous debt dynamics 2/	**-0.3**	**-2.8**	**1.4**	**-0.6**	**-0.5**	**-0.6**	**-0.6**	**-0.6**	**-0.6**	**-0.5**	**-0.4**		
Contribution from nominal interest rate	0.6	0.7	0.7	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.6		
Contribution from real GDP growth	-0.2	-1.1	-1.3	-1.2	-1.2	-1.3	-1.2	-1.2	-1.2	-1.2	-1.0		
Contribution from price and exchange rate changes	-0.8	-2.3	1.9	...	...	...	...	...	...	...	...		
Residual 3/	**0.4**	**1.1**	**-2.8**	**-2.1**	**0.4**	**-0.5**	**-0.5**	**-0.1**	**0.5**	**0.5**	**0.6**	**1.6**	**-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	**...**	**...**	**26.0**	**24.0**	**23.1**	**21.8**	**20.9**	**20.4**	**20.4**	**19.2**	**16.2**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**133.7**	**131.3**	**128.0**	**123.5**	**123.7**	**124.9**	**127.5**	**120.4**	**102.9**		
PPG debt service-to-exports ratio	**10.2**	**20.4**	**14.0**	**17.0**	**15.7**	**14.8**	**13.8**	**13.5**	**11.6**	**10.9**	**11.3**		
PPG debt service-to-revenue ratio	**11.5**	**23.6**	**17.5**	**19.7**	**18.0**	**17.0**	**15.0**	**14.1**	**11.7**	**10.8**	**9.5**		
Gross external financing need (Billion of U.S. dollars)	1.6	2.7	1.9	2.1	1.8	1.6	1.7	1.6	1.5	1.7	1.9		
Key macroeconomic assumptions													
Real GDP growth (in percent)	0.5	3.6	3.6	4.0	4.3	4.5	4.5	4.5	4.6	4.8	5.3	**4.0**	**4.5**
GDP deflator in US dollar terms (change in percent)	2.4	7.2	-5.3	6.5	4.1	4.3	3.3	2.2	1.3	1.9	1.9	**0.3**	**2.8**
Effective interest rate (percent) 4/	1.9	2.2	1.9	1.9	2.5	2.4	2.3	2.4	2.4	2.7	3.3	**3.1**	**2.4**
Growth of exports of G&S (US dollar terms, in percent)	-21.0	22.1	16.2	3.8	7.2	6.8	3.3	3.1	3.9	6.5	7.3	**2.6**	**5.6**
Growth of imports of G&S (US dollar terms, in percent)	-20.7	25.5	8.4	7.9	5.6	5.7	4.8	3.2	4.3	5.9	6.8	**2.9**	**5.7**
Grant element of new public sector borrowing (in percent)	...	...	...	27.6	27.5	27.2	25.5	25.0	24.9	20.6	15.5	**...**	**24.3**
Government revenues (excluding grants, in percent of GDP)	13.3	14.2	15.6	15.7	15.7	15.4	15.5	15.7	15.8	16.1	18.8	**14.9**	**15.7**
Aid flows (in Billion of US dollars) 5/	0.1	0.1	0.2	0.2	0.4	0.3	0.2	0.2	0.2	0.2	0.2		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.2	1.3	1.0	0.8	0.8	0.7	0.5	0.3	**...**	**0.8**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	34.3	32.9	32.4	28.6	27.7	26.2	20.6	15.5	**...**	**26.8**
Nominal GDP (Billion of US dollars)	41	45	45	49	53	58	63	67	71	99	193		
Nominal dollar GDP growth	3.0	11.1	-1.9	10.7	8.5	9.0	7.9	6.8	5.9	6.8	7.3	**4.2**	**7.5**
Memorandum items:													
PV of external debt 7/	...	...	28.7	26.6	25.7	24.5	23.4	22.8	22.7	20.9	17.3		
In percent of exports	...	...	147.3	145.8	142.6	138.4	138.5	139.4	141.6	131.3	109.5		
Total external debt service-to-exports ratio	16.0	28.0	18.5	19.6	17.8	16.4	15.6	15.3	13.3	12.3	12.1		
PV of PPG external debt (in Billion of US dollars)			11.6	11.8	12.4	12.7	13.2	13.7	14.5	18.9	31.3		
(PVt-PVt-1)/GDPt-1 (in percent)				0.5	1.1	0.7	0.8	0.9	1.2	1.3	0.7		
Non-interest current account deficit that stabilizes debt ratio	1.4	3.7	3.5	4.6	2.0	3.2	3.2	2.8	2.2	1.9	1.2		

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) + εα(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, ε=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.

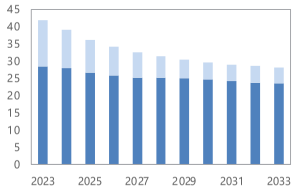
Table 2. Cameroon: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020–2043

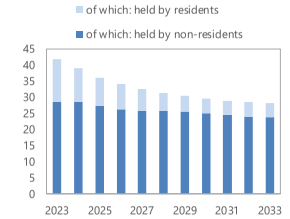
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
Public sector debt 1/	**44.9**	**46.8**	**45.3**	**41.8**	**39.0**	**36.1**	**34.1**	**32.6**	**31.4**	**28.2**	**25.9**	**35.5**	**32.8**
of which: external debt	**30.5**	**31.7**	**30.8**	**28.6**	**28.6**	**27.3**	**26.3**	**25.7**	**25.7**	**23.9**	**19.3**	**24.2**	**25.9**
Change in public sector debt	3.3	1.9	-1.5	-3.5	-2.8	-2.9	-2.0	-1.6	-1.2	-0.3	-0.2		
Identified debt-creating flows	**-0.1**	**1.7**	**-1.2**	**-2.8**	**-2.4**	**-2.5**	**-1.8**	**-1.6**	**-1.5**	**-0.5**	**-0.3**	**1.8**	**-1.5**
Primary deficit	**2.1**	**1.5**	**0.3**	**-0.5**	**-0.7**	**-0.7**	**-0.3**	**-0.2**	**-0.2**	**0.7**	**0.7**	**2.6**	**0.0**
Revenue and grants	13.5	14.4	16.0	16.1	16.0	15.6	15.7	15.8	15.8	16.1	18.8	**15.2**	**15.8**
of which: grants	0.1	0.3	0.4	0.3	0.3	0.2	0.1	0.1	0.0	0.0	0.0		
Primary (noninterest) expenditure	15.6	16.0	16.3	15.5	15.3	14.9	15.4	15.6	15.6	16.8	19.5	**17.8**	**15.8**
Automatic debt dynamics	**-2.2**	**0.1**	**-1.5**	**-2.2**	**-1.7**	**-1.7**	**-1.5**	**-1.4**	**-1.3**	**-1.2**	**-1.0**		
Contribution from interest rate/growth differential	0.1	-2.4	-3.7	-2.2	-1.7	-1.7	-1.5	-1.4	-1.3	-1.2	-1.0		
of which: contribution from average real interest rate	0.3	-0.8	-2.1	-0.5	0.0	-0.1	0.0	0.1	0.1	0.1	0.3		
of which: contribution from real GDP growth	-0.2	-1.6	-1.6	-1.7	-1.7	-1.7	-1.5	-1.5	-1.4	-1.3	-1.3		
Contribution from real exchange rate depreciation	-2.3	2.5	2.2	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.0**	**0.0**	**0.0**	**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	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**3.4**	**0.3**	**-0.3**	**-0.7**	**-0.3**	**-0.5**	**-0.1**	**0.1**	**0.3**	**0.1**	**0.1**	**1.3**	**-0.1**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**40.5**	**37.1**	**33.5**	**30.6**	**28.8**	**27.3**	**26.1**	**23.5**	**22.9**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**252.8**	**230.9**	**208.8**	**195.9**	**183.6**	**172.9**	**164.7**	**145.9**	**121.6**		
Debt service-to-revenue and grants ratio 3/	**30.1**	**46.2**	**28.7**	**36.0**	**32.4**	**30.2**	**29.0**	**28.0**	**23.0**	**17.4**	**18.9**		
Gross financing need 4/	6.1	8.2	4.9	5.2	4.5	4.0	4.2	4.2	3.5	3.5	4.3		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	0.5	3.6	3.6	4.0	4.3	4.5	4.5	4.5	4.6	4.8	5.3	**4.0**	**4.5**
Average nominal interest rate on external debt (in percent)	2.1	2.2	2.0	1.9	2.5	2.4	2.3	2.4	2.4	2.7	3.3	**2.7**	**2.5**
Average real interest rate on domestic debt (in percent)	1.0	-1.5	-4.2	0.1	-0.1	-0.3	0.5	1.0	1.8	1.5	3.0	**-1.5**	**0.9**
Real exchange rate depreciation (in percent, + indicates depreciation)	-8.0	8.9	7.5	...	...	...	...	...	...	...	...	**2.9**	**...**
Inflation rate (GDP deflator, in percent)	0.5	3.3	6.3	3.1	3.5	4.0	3.1	2.6	1.7	1.9	1.9	**2.0**	**2.5**
Growth of real primary spending (deflated by GDP deflator, in percent)	-10.3	6.2	5.9	-0.9	2.7	1.7	7.7	6.0	5.0	6.2	7.8	**3.9**	**4.9**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-1.2	-0.4	1.8	3.0	2.1	2.2	1.7	1.3	1.0	1.1	0.9	**0.1**	**1.5**
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.

Table 3. Cameroon: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2023–2033 (In percent)

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of Debt-to-GDP Ratio											
Baseline	24	23	22	21	20	20	20	20	20	19	19
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	24	25	25	26	26	27	28	29	**30**	**31**	**32**
B. Bound Tests											
B1. Real GDP growth	24	24	23	22	22	22	21	21	21	20	20
B2. Primary balance	24	26	**30**	29	29	29	29	29	28	27	27
B3. Exports	24	26	**30**	29	28	28	28	27	26	25	25
B4. Other flows 3/	24	24	23	22	22	22	22	21	21	20	20
B5. Depreciation	24	29	25	24	23	23	23	22	22	22	22
B6. Combination of B1-B5	24	27	25	24	24	24	24	23	23	22	22
C. Tailored Tests											
C1. Combined contingent liabilities	24	**31**	**30**	29	30	30	30	29	29	28	28
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	24	**31**	**36**	**36**	**35**	**36**	**35**	**34**	**32**	**30**	29
C4. Market Financing	24	26	24	23	23	23	23	22	22	21	21
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of Debt-to-Exports Ratio											
Baseline	131	128	123	124	125	128	126	124	122	120	120
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	131	136	**142**	**152**	**161**	**171**	**177**	**182**	**188**	**193**	**201**
B. Bound Tests											
B1. Real GDP growth	131	128	123	124	125	128	126	124	122	120	120
B2. Primary balance	131	**144**	**171**	**174**	**178**	**184**	**181**	**177**	**174**	**171**	**170**
B3. Exports	131	**174**	**244**	**245**	**248**	**252**	**248**	**242**	**235**	**228**	**224**
B4. Other flows 3/	131	132	132	132	133	136	135	132	129	127	127
B5. Depreciation	131	128	111	111	112	115	113	111	110	110	111
B6. Combination of B1-B5	131	**158**	132	**168**	**170**	**173**	**171**	**167**	**164**	**161**	**161**
C. Tailored Tests											
C1. Combined contingent liabilities	131	**173**	**172**	**173**	**183**	**187**	**185**	**182**	**180**	**177**	**176**
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	131	**288**	**314**	**298**	**281**	**262**	**236**	**226**	**216**	**205**	**198**
C4. Market Financing	131	128	124	124	126	128	127	124	121	120	120
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt Service-to-Exports Ratio											
Baseline	**17**	**16**	**15**	**14**	**14**	**12**	**12**	**13**	**13**	**13**	**11**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**17**	**16**	**16**	**16**	**16**	**14**	**15**	**17**	**18**	**19**	**17**
B. Bound Tests											
B1. Real GDP growth	**17**	**16**	**15**	**14**	**14**	**12**	**12**	**13**	**13**	**13**	**11**
B2. Primary balance	**17**	**16**	**16**	**17**	**16**	**14**	**15**	**17**	**18**	**17**	**15**
B3. Exports	**17**	**19**	**23**	**23**	**22**	**19**	**20**	**23**	**25**	**24**	**21**
B4. Other flows 3/	**17**	**16**	**15**	**14**	**14**	**12**	**12**	**14**	**14**	**14**	**12**
B5. Depreciation	**17**	**16**	**15**	**13**	**13**	**11**	**12**	**13**	**12**	**12**	10
B6. Combination of B1-B5	**17**	**18**	**19**	**18**	**18**	**15**	**16**	**18**	**18**	**17**	**15**
C. Tailored Tests											
C1. Combined contingent liabilities	**17**	**16**	**16**	**16**	**15**	**14**	**14**	**15**	**15**	**15**	**13**
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	**17**	**28**	**26**	**25**	**23**	**19**	**18**	**22**	**24**	**23**	**20**
C4. Market Financing	**17**	**16**	**15**	**14**	**14**	**13**	**14**	**15**	**14**	**12**	**10**
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt Service-to-Revenue Ratio											
Baseline	**20**	**18**	**17**	**15**	**14**	12	13	14	14	13	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**20**	**19**	**19**	**17**	**17**	**14**	**16**	**18**	**19**	**19**	**17**
B. Bound Tests											
B1. Real GDP growth	**20**	**18**	**18**	**16**	**15**	12	13	**14**	**14**	14	11
B2. Primary balance	**20**	**18**	**18**	**18**	**17**	**15**	**15**	**17**	**18**	**17**	**15**
B3. Exports	**20**	**18**	**18**	**17**	**16**	14	**14**	**16**	**18**	**17**	**15**
B4. Other flows 3/	**20**	**18**	**17**	**15**	**14**	12	13	**14**	**14**	14	11
B5. Depreciation	**20**	**23**	**21**	**18**	**17**	**14**	**15**	**17**	**16**	**15**	12
B6. Combination of B1-B5	**20**	**19**	**19**	**17**	**16**	13	**14**	**16**	**16**	**15**	13
C. Tailored Tests											
C1. Combined contingent liabilities	**20**	**18**	**19**	**17**	**16**	14	**15**	**16**	**16**	**15**	13
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	**20**	**27**	**29**	**29**	**25**	**19**	**19**	**21**	**22**	**21**	**18**
C4. Market Financing	**20**	**18**	**17**	**15**	**14**	13	**15**	**16**	**14**	12	10
Threshold	14	14	14	14	14	14	14	14	14	14	14

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, 2023–2033

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of Debt-to-GDP Ratio											
Baseline	**37**	33	31	29	27	26	25	24	24	24	23
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**37**	**37**	**38**	**39**	**40**	**41**	**42**	**43**	**44**	**45**	**46**
B. Bound Tests											
B1. Real GDP growth	**37**	35	34	32	32	31	31	31	31	31	32
B2. Primary balance	**37**	**38**	**41**	**39**	**37**	**36**	35	34	33	32	32
B3. Exports	**37**	**36**	**38**	**36**	34	33	32	31	30	29	28
B4. Other flows 3/	**37**	34	32	30	29	27	27	26	25	25	24
B5. Depreciation	**37**	**38**	34	31	28	26	24	22	20	19	18
B6. Combination of B1-B5	**37**	**36**	**37**	35	33	31	30	29	28	27	27
C. Tailored Tests											
C1. Combined contingent liabilities	**37**	**46**	**42**	**40**	**38**	**36**	**35**	34	34	33	33
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	**37**	**39**	**42**	**46**	**50**	**52**	**52**	**52**	**51**	**51**	**51**
C4. Market Financing	**37**	33	31	29	27	26	25	24	24	24	23
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	231	209	196	184	173	165	162	155	152	149	146
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	231	231	241	247	252	257	267	272	277	282	285
B. Bound Tests											
B1. Real GDP growth	231	217	215	207	200	196	198	195	195	197	197
B2. Primary balance	231	235	265	251	237	227	223	215	209	204	198
B3. Exports	231	225	242	229	217	208	204	196	189	183	176
B4. Other flows 3/	231	213	205	193	182	173	170	164	159	156	152
B5. Depreciation	231	240	218	197	178	163	153	140	129	121	112
B6. Combination of B1-B5	231	224	237	222	208	197	193	184	178	173	167
C. Tailored Tests											
C1. Combined contingent liabilities	231	284	269	255	240	230	226	218	213	208	203
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	231	351	392	431	410	387	365	328	324	320	315
C4. Market Financing	231	209	196	184	173	165	162	155	151	149	145
Debt Service-to-Revenue Ratio											
Baseline	36	32	30	29	28	23	21	21	20	19	17
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	36	33	34	34	37	33	31	33	34	33	32
B. Bound Tests											
B1. Real GDP growth	36	33	32	32	31	27	25	25	25	24	23
B2. Primary balance	36	32	35	36	37	33	26	27	27	25	23
B3. Exports	36	32	31	31	30	25	22	23	24	23	21
B4. Other flows 3/	36	32	30	29	28	23	21	21	21	20	18
B5. Depreciation	36	33	34	32	31	25	24	24	23	22	19
B6. Combination of B1-B5	36	31	33	33	34	29	23	22	22	20	18
C. Tailored Tests											
C1. Combined contingent liabilities	36	32	41	33	44	28	24	26	24	22	20
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	36	48	49	50	51	40	42	39	38	38	35
C4. Market Financing	36	32	30	29	28	24	23	23	21	19	17

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.

INTERNATIONAL MONETARY FUND

CAMEROON

REQUEST FOR AN ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY

January 16, 2024

WORLD BANK ASSESSMENT LETTER FOR THE RESILIENCE AND SUSTAINABILITY FACILITY

A. Cameroon's Vulnerability to Climate Change

1. Cameroon, a country rich in resources and geographical diversity, faces a range of climate change impacts, including rising temperatures, droughts, floods, and intense rainfall patterns. The climatic diversity within Cameroon is striking, encompassing various climate zones. In the northern regions, a tropical savannah climate prevails, characterized by hot and arid conditions. The southern part of the country experiences a tropical rainforest climate, marked by high temperatures and humidity, with four distinct seasons in a year. The western highlands enjoy a more temperate climate, while coastal regions endure a hot and humid environment, coupled with intense rainfall. These varied climate conditions across Cameroon lead to differing climate change impacts in different regions. The northern regions confront desertification, exemplified by the significant reduction in the size of Lake Chad, which has shrunk from 26,000 square kilometers in the 1960s to less than 1,500 square kilometers today. These areas also grapple with recurrent droughts, sporadic but heavy rainfall leading to floods, and violent winds due to their plateau-like geography. Conversely, the southern part of Cameroon faces a different set of climate-related issues. Here, heavy rainfall combines with elevated temperatures, resulting in disrupted seasons, frequent flooding, landslides, and erosion. On a national scale, average annual temperatures have shown a slight increase, from 24.75 ºC in 1960 to 24.94 ºC in 2022. Notably, the highest average temperatures have been recorded in the far north (28.24 ºC) and the north (26.42 ºC) regions over the period 1991-2020.[1] Conversely, annual precipitation levels in the country have decreased from 1837.69 mm in 1960 to 1657.61

[1] Climate Change Knowledge Portal (database), World Bank, Washington, DC (accessed 11-22-2023), https://climateknowledgeportal.worldbank.org/country/cameroon

mm in 2022, with the lowest values observed in the far north (720 mm) and north (1175 mm) regions over the period 1991-2020. These changes in climate patterns have led to heightened concerns about the increased frequency of extreme weather events over the next decade[2].

2. Higher temperatures, which result in more frequent and intense droughts, and reduced but heavy rainfalls are negatively affecting agricultural outcomes and livestock farming, leading to an alarming increase in food insecurity. 70 percent of Cameroonians are working in the primary sector which contributes about 20 percent of GDP. Hence, two third of Cameroonians rely directly on agricultural outcomes for their livelihoods. With heavy floods episodes becoming more frequent, affecting more than 20,000 hectares of farmland in 2019 and 2020, and desertification moving forward in the northern part of the country, triggering recurrent drought episodes, food production declined, leading to alarming rates of food insecurity in those regions (33.6 percent of food insecurity in the Far North[3]). Boko haram terrorist activities, massive inflows of refugees from the Central African Republic, and large numbers of internally displaced people exacerbated this food crisis. Furthermore, livestock farming (one of the principal economic activities in Cameroon's northern regions) is severely affected by droughts (2.6 million units of livestock are expected to be under drought-induced stress conditions annually), as food available for livestock became scarce (100,000 tons of crops are affected by weather shocks annually). Herders and farmers affected by droughts, floods and disrupted seasons suffer a drop in their revenues, putting them at greater risk of increased poverty and famine as the country social protection system is almost non-existent. For 2019, the losses induced by climate variability in the agricultural sector in four regions of Cameroon, were estimated at around 1 percent of GDP[4]. However, urban populations, which grow faster, are also affected through higher food prices and food scarcity, as they depend on rural food production.

3. The scarcity of water resources in Cameroon poses a significant threat to hydroelectric energy production and has contributed to escalating conflicts, including those between nomadic herders and farmers, as well as interethnic disputes. The water scarcity is a result of unpredictable rainfall patterns and the depletion of reservoirs due to prolonged droughts. In particular, the Logone-Birni floodplain has become a hotspot of conflict. One such conflict has arisen between Choa Arab herders and Musgum fishers and farmers in this region. In response to the severe drought experienced in August 2021, Masum fishers and farmers dug massive ditches to retain the remaining river water for their fishing activities and crop cultivation. However, these ditches, while serving their intended purpose, have unintentionally trapped and, at times, killed herders' cattle. This situation has further exacerbated tensions and conflicts between these groups. Because the drivers of the conflict have not been addressed and economic and social inclusion have not been promoted in northern regions, violence continues to increase, creating massive

[2] Cameroon Revised Nationally Determined Contribution 2021.

[3] Cameroon Revised Nationally Determined Contribution 2021.

[4] ONACC, 2022, Assessment of climate change effects on subsistence crops in North, Adamawa, West and South Cameroon in 2019: costs and adaptation strategies.

displacement spillover effects in neighboring communities that are now more easily targeted[5]. Furthermore, the reduced water availability in some watersheds like the ones of Benoue, Mayo-Tsanaga and Sanaga led to declining energy production at certain times of the year.

4. Climate change is increasing social vulnerabilities and deteriorating human capital.[6] Increased food insecurity further aggravates already high chronic malnutrition and high stunting rates among children under five years old, affecting their long-term cognitive and physical development. Climatic perturbations contribute to the upsurge in epidemics like malaria, meningitis, cholera and respiratory diseases. Very often, cholera epidemics follow floods and heavy rainfalls in Northern Cameroon, as meningitis epidemics follow drought events and heavy harmattan winds containing dust. People who rely on agriculture loose income due to crops impacted by heavy rainfalls and droughts, and consequently often cannot afford medical care or school fees. Poor and vulnerable people -women, children, and rural communities- are affected the most, as they are more exposed and have less resilience to climate variability and shocks. Vulnerability of people to climate change differs substantially among and within regions in Cameroon driven by patterns of intersecting socioeconomic development, unsustainable land use, inequity, marginalization, and governance. It is found to be higher in locations with poverty, limited access to basic services and resources, conflict, and high levels of climate-sensitive livelihoods (small-scale farmers and pastoralists).

5. Due to poor road maintenance and high exposure to climate risks, the road network in Cameroon is particularly vulnerable to extreme climate events. More than 94 percent of roads are unpaved and only 11 percent of the national and regional road networks are considered to be in good condition[7]. Climate change will take a heavy toll on the road system. Road assets are particularly vulnerable to climate stressors such as higher temperatures, increased precipitation, or flooding. The damage and accelerated aging of roads caused by climate change will necessitate increased maintenance and more frequent rehabilitation. Climate-related damage to the road infrastructure will also cause more frequent disruptions to the movement of people and goods, with direct consequences for economic productivity.

6. Although Cameroon faces severe climate challenges, the country has opportunities to move toward a low-carbon future. There is a significant scope to increase renewables as a proportion of Cameroon's energy mix from currently less than one percent to 25 percent by 2035, given the country's vast renewable energy potential. Hydropower is the sole renewable source, but there are opportunities in solar, wind, biomass, and off-grid. Successful deployment of these renewable energy alternatives will require addressing policy and regulatory bottlenecks.

[5] UN OCHA (United Nations Office for the Coordination of Humanitarian Affairs). 2021. Cameroon Situation Report (December). New York: UNDP. https://reports.unocha.org.

[6] Cameroon Climate Change and Development Report, 2022, World Bank.

[7] MINTP/DPPN website, 2020. URL: www.mintp.cm/fr/projets-realisations/presentation-du-reseau-routier . Last consulted on November 24th, 2023.

7. To summarize, Cameroon is among the countries most vulnerable to climate change and ranks 145 out of 182 countries on the Notre Dame Global Adaptation Initiative (ND-GAIN) 2021 Vulnerability Index, which measures a country's exposure, sensitivity, and ability to adapt to the negative impact of climate change.[8]

B. Government Policies and Commitments in Terms of Climate Change Mitigation and Priority Areas to Reduce Greenhouse Gas Emissions

8. Cameroon has ratified key international climate agreements, including the UN Framework on Climate Change (1992), the Kyoto Convention (2002), and the Paris Climate Agreement (2016), demonstrating its commitment to build a low-carbon, climate-resilient economy. The nation has made progress in reducing greenhouse gas (GHG) emissions, declining from 9.32 tons per capita in 1998 to 4.84 tons per capita in 2020. While commendable, Cameroon's emissions still exceed the 2020 Sub-Saharan African average of 3.20 tons per capita but fall below the global 2020 average of 6.12 tons[9] per capita. In 2010, the agricultural sector was the largest GHG emitter in Cameroon, contributing 69 percent of emissions, followed by the energy sector at 18 percent and the waste sector at 12 percent. Without intervention, emissions could rise significantly, reaching 119,084.5 gigagrams of equivalent CO2[10] (Gg Eq CO2) by 2030, a 71 percent increase from 2010. To address this trend, the GoC aims to reduce GHG emissions by 35 percent compared to 2010, targeting 76,825.72 Gg Eq CO2 by 2030 (with 12 % emissions reductions being unconditional to receiving external financing). Forestry (16.3 percent), energy (11.2 percent), and agriculture (5.7 percent) sectors are key contributors to this reduction. These efforts align with Cameroon's commitment to mitigate climate change and transition to a sustainable, resilient future and with the Updated National Determined Contribution framework[11]. Cameroon is also a signatory to the Global Methane Pledge (GMP), which commits the country to the collective goal of reducing global methane emissions by at least 30% from 2020 levels by 2030. Nevertheless, Cameroon is yet to prepare a climate long term strategy (LTS) with a net zero target round mid-century outlining how it would meet its long-term development goals in different sectors in a low carbon and resilient way.

9. In the frame of its Nationally Determined Contribution (NDC), GoC aims to integrate climate change in its sustainable development strategy, and therefore, prioritizes a few sectors like agriculture, energy, infrastructure, in addition to strengthening the population's resilience and private sector development[12]. The agriculture, forestry and land use sector faces a range of interlinked challenges: being the country's economic driver, ensuring food security, and building resilience to climate change. GoC is committed to promote a climate-smart agriculture with improved access to ICT and innovative techniques and machineries to store foods. In the energy

[8] https://gain-new.crc.nd.edu/ranking/vulnerability

[9] See the Climate Analysis Indicators Tool (CAIT), WRI, available at Climate Watch Data (database), accessed 11-23-2023, https://www.climatewatchdata.org

[10] Cameroon Revised Nationally Determined Contribution 2021.

[11] In November 2021 to the United Nations Framework Convention on Climate Change (UNFCCC).

[12] Cameroon Revised Nationally Determined Contribution 2021.

sector, the goal is to implement a climate resilience certification of all energy infrastructure. In the infrastructure sector, government adaptation actions include building climate adapted and sustainable railways, airports and seaports, and supporting and strengthening the resilience of regional infrastructure, especially regional transportation corridors. However, without people engagement, government plans cannot succeed, raising a need to spread climate change awareness for populations but also for businesses. Finally, GoC is committed to improve the business environment to facilitate climate change adaptation financing and investments.

10. GoC is committed to reduce the carbon impact in the agricultural, fishing, livestock, and forestry sector as a cornerstone of the country's development strategy. It would aim to accelerate reforestation, to implement a sustainable management of forest areas, to reduce methane in rice crops to boost the use of nitrification inhibitors and the use of fat to feed the cattle. These mitigation actions tend to reconcile development priorities in terms of increasing agricultural production and productivity, and the need to limit deforestation and respect environmental resources.

11. In the energy and waste sectors, GoC targets a 25 percent share of renewable energy (other than hydroelectric) in the national energy mix by 2035. To reach this target, GoC seeks to develop circular economy by increasing the use of waste to produce biogas and fertilizers. By 2035, all Cameroonian major cities should be able to recycle 70 percent of its waste to produce methane. GoC committed to implement a national plan to develop renewable energy, including solar energy. Furthermore, GoC is committed to streamlining electricity consumption by promoting and spreading the use of LED electric light equipment, using low-emission cars in the public sector, and implementing a legislation on energy efficiency.

12. Cameroon has embarked on developing climate policy documents and integrating climate change in selected sector strategies, notably, agriculture and forestry. Cameroon's key climate change policy document is the National Climate Change Adaptation Plan 2015–19 which is accompanied by a costed implementation plan. Cameroon's 2018 National Strategy for the Reduction of Emissions due to Deforestation and Degradation of forests, sustainable management and conservation of forests and increase of carbon stocks (REDD+)13 addresses gaps and barriers to reducing deforestation and forest degradation and seeks to enhance carbon stocks. A 10-year climate-smart investment plan was developed to prioritize climate response in the agriculture and livestock sectors. In the face of climate hazards, the National Action Plan for Integrated Water Resources promoted a systematic process for the sustainable development, allocation, and monitoring of water resources among sectors**.**

13. Several regional and municipal governments adopted local Climate Change Action Plans (CCAP) and measures to enhance climate resilience, but with limited implementation. Fifty Cameroonian municipalities are members of the Global Covenant of Mayors for Climate and Energy, the largest global alliance for city climate leadership. Of these 50 members, 26 committed to prepare a local climate plan, and seven have done so. Some were prepared through a climate-sensitive participatory budget process. Climate-sensitive local development plans and local REDD+ plans have been developed by 10 other local governments using a participatory approach. Through

sectoral policies, several local governments have developed land management tools such as urban development plans, land-use plans, and sector maps, which incorporate climate change aspects or elements (for example, delimitation of flood, no-build, and green zones).

14. The GoC has also strengthened its capacity to generate climate information through the establishment of the National Observatory on Climate Change (ONACC). ONACC already produced[13]: (i) a climatic bulletin presenting weather forecasts over three months for the five agroecological areas in Cameroon, but also an assessment of potential risks and impact on economic activities, (ii) an early warning climatic bulletin presenting weather and rainfall forecasts for the next ten days, (iii) an agricultural calendar which proposes a planning for agricultural operations.

15. The Government is committed to introducing climate aspects in public finance and public investment management that will bring new financing for climate-robust public investment. Some progresses have been made toward this goal with the introduction of climate sensitive budget aspects in the president's circular on the preparation of 2024 State budget and the identification of climate sensitive programs through the medium-term expenditure framework. In addition, activities have already started to advance on the introduction of a more robust methodology to identify climate sensitive budget expenditures and prepare climate sensitive public investment projects. Some challenges remain, particularly in mainstreaming climate integration in sectoral planning, strengthening the legal framework and guidance for the climate sensitive public investment management, providing capacity building of public servants involved in budget preparation and public investments, and developing the production of robust climate data to assist in climate analysis. The World Bank already provides the government with a technical assistance in many of these areas.

16. Implementation of the National Climate Change Adaptation Plan 2015–19 and Cameroon's 2018 National Strategy for the Reduction of Emissions yielded important lessons that have been reflected in the 2021 NDC and the NDS 2030. Encouraging the diversification of energy sources, specifically promoting hydropower, solar and wind, emerges as a crucial lesson for Cameroon's CO2 mitigation. Simultaneously, addressing methane emissions from rice and livestock through sustainable practices is imperative. Another vital lesson lies in expanding afforestation and reforestation initiatives to sequester CO2 and mitigate deforestation-driven emissions, coupled with promoting sustainable land management practices for reducing methane emissions from the soil. Ensuring the integration of climate change mitigation across various policy domains, including energy, agriculture, and waste management, is essential for a comprehensive and effective approach. Embracing innovative technologies, such as carbon capture and storage (CCS) for CO2, and methane capture technologies in agriculture, presents significant opportunities for emission reductions. Finally, fostering community-based initiatives that engage local communities in sustainable practices and decentralized renewable energy solutions is crucial for active participation in both CO2 and methane reduction efforts. These strategies, when implemented synergistically, offer a holistic and tailored approach to enhancing Cameroon's climate change mitigation initiatives.

[13] https://onacc.cm/pages/climateBulletin.php

These are some of the initiatives, some already supported by the World Bank, where Cameroon could rely on its technical and financial partners to craft a path towards reducing emissions.

C. Other Challenges and Opportunities

17. The cost of mitigation actions is estimated at $ US 25,784.66 million, while adaptation projects will cost about $ US 31,856 million by 2030, with a total amount of $ US 57,640 million more than twice Cameroon's GDP. In terms of mitigation, the highest cost arises in the energy sector ($ US 14,322.56 million), followed by the agricultural sector ($ US 7,485.3 million). For adaptation, estimated cost are highest for health and gender ($ US 9,823 million), the infrastructure and waste sector ($ US 6,975 million), and the agriculture sector ($ US 1,809 million). The financing needed to adapt and mitigate to climate change requires the full engagement of the private sector and the development of the existing regional financial market for the provision of long-term funding for climate investments. Businesses are highly vulnerable to climate risks, but they can also be major contributors to the country's mitigation and adaptation strategies, especially by mobilizing additional funds. The transition to a green economy will require a dynamic and responsive private sector able to operate on a level plain field with judicious government support.

18. Strengthening climate governance is key to building the country's resilience to the challenges of climate change in an efficient manner. The recent climate change institutional assessment[14] highlights four steps towards a better climate governance in Cameroon: (i) strengthen existing mechanisms and structures and their complementarity, (ii) strengthen coordination and synergies between climate strategies and actors by ensuring good coherence of national level interventions with sectoral and local interventions, (iii) produce and disseminate information (climate maps, hydrological data, climate impact assessments, forestry atlas) on a regular base, and (iv) strengthen the regulatory framework with binding objectives within a climate change framework law.

19. To protect the lives and livelihoods of Cameroonians, it's imperative to reform, adapt—and to start now. Climate change exacerbates existing vulnerabilities in particular in strategic sectors like agriculture, livestock, energy, human capital are the most affected, and under current climate conditions, two million people (nine percent of Cameroon's population) live in drought-affected areas, and about eight percent of the country's GDP is vulnerable[15]. The 2022 Cameroon Climate Change and Development Report recommends Cameroon to change its development model to create opportunities to improve resilience and mitigation to climate change and put the country on a positive development trajectory. The reform agenda requires to improve the country's institutional capacity and the enabling environment for the private sector. Better policy coordination and monitoring is a prerequisite for the implementation of any climate action plan. Moreover, climate action cannot happen without full engagement of the private sector, requiring a change in the public-private partnership (PPP) institutional framework and expanding Cameroonian

[14] World Bank, August 2022, Cameroon Climate Change Institutional Assessment.

[15] Cameroon Climate Change and Development Report, 2022, World Bank.

capital markets to access long-term funding for climate investments. Along with the needed reforms, inclusive climate action needs to have a territorial focus taking into consideration the regional vulnerabilities. This would require support to decentralization reform efforts to build the capacity of regional and local institutions, with a specific focus on climate resilience, sustained engagement with local communities.

D. World Bank Engagement in Climate Change

20. The World Bank's strategic engagement with the Cameroon Government in climate change mitigation centers around critical reform areas, setting the stage for future sustainable development. As outlined in the upcoming Cameroon Country Partnership Framework (CPF) for 2023–2027, the World Bank emphasizes crucial priorities identified in the 2022 Cameroon Climate Change and Development Report. These include targeted interventions in agriculture, forestry, land use, cities, infrastructure, human capital, and governance. Noteworthy ongoing initiatives involve an Emergency Project addressing food crises, the Inclusive and Resilient Cities Development Project, support for climate-resilient education reform projects, robust contributions to renewable energy expansion, and active participation in climate-resilient transportation infrastructure development.

21. The Bank plays a pivotal role in mitigating greenhouse gas emissions through the Cameroon Power Sector Recovery Program, aligning with the NDC objectives. Additionally, the Bank is actively involved in comprehensive water resource management projects aimed at building more resilient infrastructure in terms of water storage and supply systems, supporting better flood risk management, and contributing to sustainable irrigation and drainage services. The World Bank's engagement extends to policy and institutional reforms, notably through the Second Fiscal Sustainability, Inclusive and Sustainable Growth Development Policy Financing. The third pillar of this operation focuses on laying the institutional and legal foundations for sustainable infrastructure development in Cameroon. This includes supporting government reforms to secure sustained financing for sustainable transportation infrastructure and road maintenance, transforming the road fund into a more autonomous, second-generation fund with its resources. Additionally, the operation assists in defining management modalities for the water utility to enhance access to water resources for agricultural and other purposes. These comprehensive efforts reflect a commitment to critical reform areas, signaling a continued dedication to advancing climate change mitigation and sustainable development in the country.

Statement by Facinet Sylla, Executive Director for Cameroon, Regis N'Sonde, Alternate Executive Director, and Oumar Diakite, Senior Advisor to Executive Director
January 29, 2024

I. INTRODUCTION

On behalf of our authorities, we would like to thank Executive Directors and Management for the continued support to Cameroon. We also extend our appreciation to staff for the constructive engagement with the authorities on complex issues related to climate change adaptation and mitigation. The authorities share the thrust of the staff's appraisal and recommendations to forcefully address the existential threat from climate change faced by this fragile and conflict-affected country.

Cameroon is ranked among the countries most vulnerable to the impacts of climate change, including risks arising from recurrent droughts, floods, and landslides, as well as coastal erosion. The authorities are devoting particular attention to these risks in their national development strategy (SND-30), which highlights climate change as one of the country's main challenges and identifies adaptation and mitigation as key objectives to achieve sustainable and inclusive growth. Indeed, climate change means that Cameroon could experience significant income losses, negative shocks to economic growth, exacerbated poverty and inequality, food insecurity and increased risk of conflicts in an already vulnerable and fragile environment.

In the framework of their National Adaptation Strategy, the authorities are committed to sustainable management of natural resources, supported by a policy of adaptation and mitigation to climate change. Cameroon contributes to the global effort to contain climate change. It has signed major international climate conventions such as the Paris Agreement (COP21) and developed the Nationally Determined Contribution (NDC) which the authorities are working to implement with the support of development partners.

In this context, the authorities are requesting an 18-month arrangement under the Resilience and Sustainability Facility (RSF) for an amount of SDR 138 million (50 percent of quota). The program supported by the RSF is intended to support their efforts to mitigate and adapt to climate change, as well as strengthen the long-term stability of the balance of payments. The Arrangement under the RSF is also expected to catalyze additional climate finance towards achieving urgent adaptation goals.

II. POLICY REFORM PROGRAM UNDER THE RSF

The program supported by the RSF will help the government meet its climate change policy commitments to enhance preparedness and resilience, with a particular focus on agriculture and infrastructure. This program is centered around four main pillars: (i) Strengthening the climate governance framework and coordination; (ii) Integration of the climate agenda into public financial management (PFM) processes, with an emphasis on public investments; (iii) Strengthening adaptation efforts with a specific attention given to the disaster risk management framework; and (iv) Supporting mitigation measures to avoid dependence on CO2 emitting sources, with a focus on sustainable management of forest ecosystems.

Pillar I: Strengthening the climate governance framework and coordination.

The authorities are pursuing their efforts to strengthen the institutional framework governing climate policies. In this regard, the National Climate Change Adaptation Plan (2015-19) which is currently being updated, and the NDC updated in 2021, are the key policy documents addressing climate change. As provided for in the NDC, the regions and municipalities across the country also contribute to its implementation by developing and adopting local action plans on climate change (CCAP).

To efficiently implement a broad strategy on climate change, there is a need to further improve the institutional framework and coordination mechanisms. The Ministry of the Environment, Nature Protection and Sustainable Development (MINEPDED) and the National Observatory on Climate Change (ONACC) are placed at the center of the institutional framework. To further strengthen the coordination role of the MINEPDED, and in recognition of the transversal nature of climate change challenges, the authorities will adopt by April 2024 a regulatory act to specify role of each ministry and public agencies directly or indirectly involved *(reform measure no. 1).*

To improve the prioritization of the climate agenda and its effective implementation, the authorities will adopt a National Climate Plan (PCN). The PCN should play a critical role in climate governance as a roadmap to achieve the adaptation and mitigation objectives spelled out in the NDC and other reference documents on climate. Therefore, in accordance with the 2021 NDC, the authorities will develop and adopt a PCN validated by the Prime Minister by April 2025, which will (i) set out the key actions, objectives, policies and measures of the Government to address adaptation and mitigation challenges; and (ii) define the roles and responsibilities of sectoral ministries and public agencies in the implementation of the PCN *(reform measure no. 2)*. The PCN should also inform discussions on the financing aspects of the NDC.

Pillar II: Integration of the climate agenda into Public Finance Management processes.

The authorities are committed to mainstreaming climate considerations in public finance and public investment management. They envision a number of reforms in this area leveraging C-PIMA and green PFM technical assistance from the IMF. First, the authorities aim to make public investment management "greener" and more resilient. While notable efforts have been made over the years to introduce climate considerations in public investment management, there is a need to further improve the upstream processes for preparing and selecting investment projects. The selection of projects is often made

according to general criteria which do not always take into account the impact of climate change. To address this issue, the authorities will define and publish criteria for prioritization and selection of infrastructure projects by April 2024, which integrate the aspects related to climate change, as well as develop a manual of selection procedures (*reform measure no. 3).*

Second, the authorities will pursue their efforts on climate-budget tagging, and integration of climate related expenditures into their budget process, such as in the 2024 budget and the 2024-26 Medium-Term Expenditure Framework (MTEF). They are mindful of the need to further facilitate the identification of climate-related public investments in the budget or in the Public Investment Program (PIP) and align them with the climate agenda. In this regard, they will define a standard methodology for the appraisal of investment projects, and integrate guidelines for climate change adaptation and mitigation into a project maturation guide by October 2024 (*reform measure no.4*)

Third, despite the notable progress made over the years in strengthening the preparation of public projects, notably through decree 2018/4992 and decree 2013/7987, the current legal and institutional framework does not sufficiently require that climate mitigation and adaptation considerations be reflected in the development of investment projects. To address this, the authorities are committed to revising the relevant decrees by April 2025 to systematically take into account climate-related aspects at each stage of the project cycle (*reform measure no. 5).*

The authorities are mindful that to ensure the successful implementation of key climate-related investment projects, the aforementioned efforts need to be complemented by measures to strengthen budget execution. In this regard, they will continue to improve the monitoring of the implementation of major investment projects by providing a report on their execution, financial situation, and potential debt implications as an annex to the budget, a positive step that was initiated in the 2020 budget. In addition, the authorities' priorities also include making public procurement system more transparent and efficient, ensuring regular and timely public expenditures, and appropriate maintenance of resilient investments.

Pillar III: Strengthening adaptation efforts.

To improve climate resilience and deepen adaptation measures, the authorities plan to enhance the disaster risk management framework. Extreme climate events faced by Cameroon result in loss of life, property, and infrastructure, as well as economic damage. Therefore, the authorities consider that the development of a comprehensive Disaster Risk Management (DRM) framework is a national priority for building resilience against disaster risks and their effects. However, the main legislative document relating to the general reorganization of civil protection is no longer adapted to the emerging issues in terms of disaster risk management. In addition, the role of the National Risk Observatory (ONR), responsible for the collection, management, and dissemination of information on various types of risks, needs to be clarified. There is a need to establish a more coherent legal, institutional, and coordination framework, better adapted to current standards regarding climate change. Against this backdrop, the authorities plan to adopt and promulgate by October 2024 the revised Civil Protection Law and clarify the role and responsibilities of the ONR in all phases of the DRM, including risk prevention, preparedness, response, and recovery (r*eform measure no. 6*).

Adequate financial resources to respond to disasters is crucial for the effective functioning of civil protection institutions in the face of climate change. To this end, the authorities will develop and adopt by April 2027, with the support of technical and financial partners, a disaster risk financing strategy, which will identify roles, responsibilities, and measures to build financial resilience against disasters *(reform measure no. 7).*

Pillar IV: Supporting mitigation efforts to avoid dependence on CO2 emitting sources.

Cameroon is committed to reducing greenhouse gas (GHG) emissions under the NDC. The authorities have increased Cameroon's contribution to 35 percent GHG reduction by 2030 compared to a business-as-usual scenario, up from a commitment of 32 percent GHG by 2035, including an unconditional target of 12 percent. The sectors targeted by the NDC for emission reduction include energy, forestry, agriculture, transportation, and waste management. Furthermore, to achieve their mitigation goals, the authorities believe that the projects they envisage with some oil producers to reduce gas flaring, notably by capturing and storing associated gas for use by the industrial sector will be effective in reducing CO2 emissions significantly in Cameroon over the medium term .

Regarding forestry, the authorities are working to end deforestation and forest degradation. With close to 40 percent of its territory covered by the Congo Basin tropical forests, the second largest in the world, tropical forests represent a stable carbon sink and can constitute a factor of sustainable growth for Cameroon. The institutional framework for forest governance is based on a Law governing forests, wildlife, and fishing, which aims to increase local wood processing through tax incentives and logging bans on forests. The authorities have strengthened their forest conservation efforts, in collaboration with development partners, to implement various conservation tools. To this end, they have set up a forest information management computerized system (SIGIF) and are in the process of operationalizing SIGIF 2, aiming to dematerialize forest management procedures and improve the traceability of wood. The authorities are also engaged in the REDD+, an international initiative aimed at reducing GHG emissions resulting from deforestation and forest degradation, and promoting conservation, sustainable management of forests and increased carbon stocks**.**

The authorities are mindful that agricultural expansion, among other factors, has led to the degradation of forests in Cameroon. To address this issue, the Government is considering measures to improve the sustainability of forests through sustainable agricultural production. This will involve the introduction of certification standards for agricultural products and integration of evolving global standards. To this end, with the support of technical and financial partners, the authorities will increase taxes for commodities linked to deforestation, namely cocoa and timber, while granting tax rebates to companies that can prove, on the basis of accredited sustainability certificates, that their commodities were produced with a lower environmental impact than the industry' standard production method *(reform measure no. 8).*

III. CONCLUSION

The Cameroonian authorities are committed to the sustainable management of natural resources backed by a policy of adaptation and mitigation to climate change. The RSF arrangement will complement Cameroon's ECF/EFF-supported program in many areas, while advancing the authorities' policy reforms aimed at building resilience to climate change. The RSF arrangement is also expected to catalyze additional climate finance. Given Cameroon's situation as a country most vulnerable to the impacts of climate change, and the relevance of their climate policy reforms, the authorities look forward to the positive consideration of their RSF request.