Cameroon and the IMF

Press Release:
IMF Executive Board Completes Third Review of the Extended Credit Facility Arrangement for Cameroon

December 17, 2018

Country's Policy Intentions Documents

E-Mail Notification
Subscribe or Modify your subscription

Cameroon: Letter of Intent, Memorandum of Economic Financial Policies, and Technical Memorandum of Understanding

December 6, 2018

Appendix I. Letter of Intent

December 6, 2018

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

Madam Managing Director,

The Government of Cameroon is continuing to implement the measures laid out in its economic and financial program supported by a three-year arrangement under the International Monetary Fund's Extended Credit Facility (ECF) for the period 2017–20 under difficult economic and security conditions.

Fiscal consolidation continued during the first half of 2018. All performance criteria at end-June were met, except the ceiling on government borrowing from the central bank which was slightly exceeded. All indicative targets were also met, except the floor on non-oil revenues which was slightly below the target. All indicative targets at end-September were met, except the ceiling on government borrowing from the central bank. The successful issuance of the infrastructure bond initially planned for the third quarter would allow to meet this target at end-2018. Besides, fourteen out of the eighteen structural benchmarks between June and November were completed.

The government is committed to successfully implementing the program for the rest of this year, despite risks weighing on non-oil revenue due to the difficulties encountered by SONARA in honoring its tax obligations in a context of rising global oil prices. However, the non-oil revenue shortfall would be partially offset by the end of the year through a better-than-anticipated performance of non-tax revenues, as well as additional measures taken by the tax and customs administrations. The acceleration of externally financed capital spending owing to the need to complete major investment projects and to the preparations for the African Cup of Nations could also lead to an overrun of the corresponding planned budget allocation. However, the government is committed to create equivalent fiscal space, mainly on domestically-financed capital spending.

All these measures would enable the government to meet the program's quantitative criteria and indicative targets (ITs) at end-December, except for the ceiling on SNH direct interventions that was exceeded in October due to the need to enhance security measures over the recent months. A simplified emergency spending mechanism in the budget will make it possible to contain direct interventions to the level of the last ten months of this year. The government also commits to catch up with the delays in meeting some structural benchmarks, and to implement key measures before end-December, notably reforms aimed at maintaining financial sector stability.

In addition, the Minister of Finance, President of the CNDP, adopted a time bound action plan for validating and reducing non-performing SENDs identified jointly with the various donors. The draft 2019 budget law submitted to Parliament for approval on November 15, 2018, is in line with program objectives. It notably includes measures aiming at reducing tax exemptions and widening the tax base.

The government continues to implement policies aimed at preserving regional external stability, which requires the replenishment of BEAC exchange reserves. Therefore, the government supports the efforts of BEAC and COBAC to enhance compliance with the foreign exchange regulation. To that end, the government will honor its obligations on the repatriation of export earnings, including oil revenues. In addition, in line with its regional commitments, the government will submit to the CEMAC Commission, by the end of the year, its three-year convergence plan for 2019-21.

The memorandum of economic and financial policies (MEFP) attached to this letter of intent describes the economic and financial situation in 2018, sets out the economic and financial policies that the government plans to implement for the rest of the year and for 2019, and establishes the quantitative criteria, structural benchmarks and reforms, as well as indicative targets through end-December 2019.

The government requests a waiver of nonobservance of the end-June quantitative performance criterion on the ceiling on net government borrowing of the central government from the central bank excluding IMF financing on the grounds that the deviation is minor. The government also requests the modification of (i) the end-December quantitative performance criterion on the ceiling on net borrowing of the central government from the central bank excluding IMF financing; and (ii) the continuous performance criterion on new non-concessional external debt contracted or guaranteed by the government (adjustor modified to take into account non-concessional budget support disbursements). The government also requests the modification end-March 2019 ITs as indicated in Table 1 of the MEFP.

Based on progress under the program to date, as well as the commitments set out in the MEFP, the government requests the completion of the third review under the ECF arrangement and the disbursement of SDR 55.2 million.

The government is convinced that the policies and measures set out in the MEFP will enable it to meet the program targets. The government is committed to take any further measures to that end. The Cameroonian authorities will consult with the Fund on such additional measures in advance of any revisions to the policies contained in the MEFP, in accordance with the Fund's policy on such consultations. To facilitate program monitoring and evaluation, the government undertakes to regularly report all required information to IMF staff in a timely manner and in accordance with the attached Technical Memorandum of Understanding (TMU).

Finally, the government confirms that it agrees to the publication of this Letter, the MEFP, the Technical Memorandum of Understanding (TMU), and the IMF Staff Report on this program.

Sincerely yours,

/s/

Philemon Yang
Prime Minister, Head of Government

Attachments: Supplementary Memorandum of Economic and Financial Policies
Technical Memorandum of Understanding

Attachment I. Supplementary Memorandum of Economic and Financial Policies, 2017–19

December 2018

I. INTRODUCTION

1. The Government of Cameroon is continuing to implement its economic and financial program supported by the International Monetary Fund (IMF) under difficult socioeconomic circumstances. Five out of six performance criteria at end-June 2018 were met, as well as four out of five indicative targets, and 12 out of 18 structural benchmarks were implemented within the established time frame between end-June and end-October, whereas 2 were delayed. The difficult security context still weighs significantly on the country's socioeconomic situation. However, the government remains firmly committed to the successful implementation of the program during the rest of the year and next year and will take the necessary measures to honor its commitments.

II. RECENT ECONOMIC DEVELOPMENTS

2. Economic growth has been less sustained than anticipated, owing mainly to the sharp decline in oil production. Contraction of real oil GDP would reach 9.3% in 2018 (against 1 percent growth previously projected) and 6.6 percent in 2019. Despite an increase in gas production, crude oil production is expected to decline, owing to the depletion of some oil wells and low investment following price fall over the previous years. In the non-oil sector, growth in the primary sector is expected to drop, owing notably to slowdown in industrial and agriculture exports, resulting mainly from security challenges in the South West region, one of the major cocoa production basins. However, activities in the non-oil sector will remain buoyant, due to increased activity in trade, hotel and catering, relative to the organization of the CAN. This favorable trend should also be observed in the construction sector, following completion and operation of first-generation projects in the road and energy sectors. Non-oil sector growth is expected to reach 4.5 percent in 2018 (against program projection of 4.2 percent) and 4.9 percent in 2019. Inflation remains low, averaging 1 percent in 2018 and 1.2 percent in 2019.

3. Budget implementation in the first half of the year remains in line with program objectives. The overall fiscal deficit (payment order basis, including grants) reached 0.5 percent of GDP, against 0.9 percent projected in the program, mainly due to slower execution of non-wage recurrent spending. Oil revenues remain in line with projections, with the negative effects of the production decline offset by the price increase. Non-oil revenues were slightly below projections, in particular owing to SONARA's tax arrears (CFAF 36 billion), due to delays in the payment of its subsidies. Preliminary end-September estimates indicate that non-oil revenues are significantly above the indicative floor. The underperformance of tax and customs revenue due to the non-payment of SONARA has been partly compensated by other non-tax revenues. The non-oil primary deficit target (payment order basis, including grants), has been met. The acceleration of recurrent spending has been compensated by a slowdown of investment expenditures, notably domestically-financed investment.

4. The current account deficit is widening. Weaker than projected agriculture exports and higher imports of refined petroleum products (SONARA interrupted production over the period April-November for technical reasons) and capital goods related to the Africa Cup of Nations (CAN) organization resulted in a goods trade deficit of CFAF 293 billion in the first half of the year. Increasing volatility in international financial markets also contributed to capital outflows. Consequently, Cameroon's net foreign assets (NFA) declined from CFAF 1,970 billion at end-2017 to CFAF 1,821 billion at end-September 2018, with Cameroon contributing to 47 percent of the CEMAC's under-performance regarding net foreign assets' accumulation. The current account deficit is expected to widen from 2.7 percent of GDP in 2017, to 3.6 percent of GDP in 2018, and to stabilize at 3 percent of GDP in the medium term.

5. Private sector credit growth started to rebound in the third quarter on the back of improved liquidity conditions. Broad money increased by 8.3 percent and deposits by 7.2 percent at end-September (y/y) driven by a significant increase in credit to public enterprises (71 percent), an increase in net claims to the government (33 percent) and the recovery of private sector credit during the third quarter (5 percent compared with – 0.6 percent at end-June). The rescheduling of the treasury bond issuance to the last quarter led to weaker-than-projected accumulation of government deposits. Bank reserves remained high, representing 20 percent of deposits, and their net foreign assets increased by 2.4 percent (y/y).

6. Public debt remains sustainable but with a high risk of debt distress. The stock of public debt was estimated at around 32.6 percent of GDP at end-September 2018, compared with 27.4 percent at end-2016, representing an increase of 5 percentage points of GDP in 21 months, owing mainly to the acceleration of disbursements on externally-financed projects and the conversion of BEAC statutory advances into long-term debt. This estimate includes the SONARA debt to crude oil suppliers, which represents 0.2 percent of GDP.[1]

III. IMPLEMENTATION OF THE ECONOMIC AND FINANCIAL PROGRAM

7. Performance criteria and benchmarks:

- **All performance criteria at end-June were met, except the ceiling on net central government borrowing from the central bank which was slightly exceeded.** (Table 1). The overrun is marginal. All indicative targets were also met except the one floor on non-oil revenue, which was missed by 0.1 percent of GDP mainly owing to the failure by SONARA to pay its taxes and customs duties.

[1] In its macroeconomic framework and debt sustainability analysis, the IMF includes the Treasury float and the other SONARA debts in these amounts, which brings total public and publicly guaranteed debt to 36.8 percent of GDP at end-September 2018.

- All indicative targets at end-September were met, except the ceiling on net central government borrowing from the central bank.
- However, at end-October 2018, SNH direct interventions amounted to CFAF 175 billion, above the annual indicative target of CFAF 156 billion, owing mainly to the worsening of the security shock over the recent months. The government intends to contain SNH direct interventions at this level by the end of the year, through simplified expenditure procedures at the General Directorate of the Budget for the execution of urgent and sovereignty-related expenditures.

8. **Progress was made on structural benchmarks, with 12 out of 18 benchmarks met on time between June and November 2018** (Table 2). All benchmarks related to fiscal reforms and revenue mobilization were met. Most of the public financial management benchmarks were also met, as well as the measure aimed at the quarterly payment of the utility bills of major public entities.

9. **However, structural benchmarks related to debt management and financial sector stability were not met or were delayed:**

- *Adoption by the Ministers of Finance and Economy of a plan to reduce the stock of SENDs stemming from immature projects, which provides for measures to reduce the stock of SENDS (non-performing) by at least one-third by end-2018* (August structural benchmark that becomes a prior action). A more detailed analysis of non-performing SENDs showed an amount of CFAF 200 billion that could potentially be cancelled. The Minister of Finance who is also the President of the National Public Debt Committee (CNDP) adopted a time-bound action plan in November for the validation of non-performing SENDS, together with development partners, and the reallocation of certain funds to priority projects and the preparation of a disbursement plan in line with the medium-term macroeconomic framework.
- *Close all correspondent accounts for non-resources generating entities (mainly public entities such as line ministries and public agencies); the transfer of new budgetary appropriations to these accounts continues to be prohibited*. (August structural benchmark, not met). Correspondent accounts are no longer provisioned using budgetary appropriations. They will be closed gradually after verification of current commitments on the remaining balance (benchmark to be reprogramed in June 2019).
- *Reduce to two months the deadline for processing bills, between commitment and transmission to the treasury for payment* (June structural benchmark, implemented in October). The average processing time has been reduced to around 21 days. However, there are still some significant time lags between the different phases of the expenditure chain. The circular on the implementation of the 2019 budget will set the processing time for each actor of the expenditure chain and will ensure compliance by all concerned.
- *Sign a performance contract with the management of the public bank.* (July 2018 benchmark, implemented in October). A performance contract was signed on 12 July 2018 and presented to Board members on 27 September 2018. The revised contract was signed on 24 October 2018, taking into account certain aspects related to governance, profit-sharing and publication.

- *Assess (cost and feasibility) options for the resolution of ailing banks* (August structural benchmark, implementation ongoing). The World Bank provided technical assistance in September 2018 to help the government consider these options. The government's options, taking into account World Bank technical assistance and the report will be transmitted to the IMF by end-December 2018.
- *Decide on the economic model of the SMEs bank* (August 2018 structural benchmark, not met). The government proposed to extend the deadline for this benchmark to March 2019. It was agreed with IMF staff to assess the financing needs of high-performing SMEs in Cameroon, and to analyze the appropriate financing instruments, including indirect financing. Given the bank's significant losses, measures have been taken to reduce spending and contain credit risks. To reach profitability as soon as possible, the Board of Directors has adopted a consolidation strategy in November 2018.

IV. ECONOMIC AND FINANCIAL PROGRAM IN 2018–19 AND THE MEDIUM TERM

A. Program Objectives

10. Notwithstanding the difficult socio-political context, the government reiterates its firm commitment to achieving the program objectives. This involves pursuing public financial management reforms, widening the tax base for non-oil revenues, enhancing the stability of the banking sector, improving the control and efficiency of public investment, and addressing bottlenecks to private sector development and diversification of the economy. Also, to pursue fiscal consolidation aiming at building fiscal and external buffers, while preserving social spending and other social safety net, the government is committed to strengthening fiscal discipline by achieving the objectives of the 2018 supplementary budget as well as the 2019 budget, and by meeting the quantitative objectives and structural benchmarks of the program.

B. Macroeconomic Framework

11. Economic growth prospects remain positive. Growth is expected to improve in 2018, rising to at least 3.8 percent against 3.5 percent in 2017. Growth projections have been adjusted slightly downward, owing to the sharp drop in economic activities in regions with heightened security problems and anticipated drop in oil production. The finalization of construction works related to the CAN and significant improvement in electricity supply should benefit the construction sector and manufacturing and agricultural industries in 2019. In the medium term, growth will pick up and stabilize at around 5-5.5 percent, driven by the completion of large infrastructure projects (such as road and energy projects).

12. Meeting the 2018 and 2019 fiscal objectives remains essential to restore macroeconomic stability in Cameroon and the region. Fiscal consolidation and tighter monetary policy will support improvements in the current account and the rebuilding of the foreign exchange reserves. The current account deficit should stabilize at around 3 percent of GDP in the medium term and net foreign assets at around CFAF 2,256 billion by 2023 against CFAF 1,706 billion in 2016. These efforts are essential to curb public debt increases and keep debt service at sustainable levels. Slippages could lead to unsustainable debt levels, resulting from a rapid accumulation of non-concessional debt given an insufficiently-diversified export base.

13. Risks associated with the baseline scenario remain broadly unchanged with respect to the second review. Progress made with economic stabilization in the CEMAC and the increase in oil prices could accelerate economic growth and revenue mobilization. However, delays in adjustment within CEMAC, persistent setbacks in the finalization of economic reform programs with other CEMAC countries and the worsening security situation in the North West and South West regions could weigh on some sectors of the economy and pose fiscal risks, with an impact on investment and growth.

C. Fiscal Policy

Fiscal Policy Objectives at End-2018

14. The government commits to comply with the floor on the non-oil primary balance at end-2018 (3.9 percent of GDP) and the overall deficit objective (2.4 percent of GDP, payment order basis). Based on preliminary budget outturn of the first ten months of the year, it is critical to improve non-oil revenue mobilization efforts and strengthen control of current and capital spending to achieve program objectives at end-2018. Oil revenues stood at 0.2 percent of GDP above projections. However, at end-October, non-oil revenues were slightly below target, owing to the delayed payments of taxes and custom duties by SONARA caused by higher-than-anticipated subsidy needs following the increase in oil prices. The following measures will be implemented to offset the shortfalls in non-oil revenue:

- The Directorate General of Taxation (DGI), will ensure close monitoring of contentious tax claims and tax disputes, expedite ongoing controls, and transfer the excess revenue of some public entities to the budget, which should help reduce the projected gap by CFAF 23 billion.
- The Directorate General of Customs (DGD) will strengthen administrative measures to optimize revenue collection, including through improving the clearance of imported goods, with better utilization of scanned imports and exports at the ports of Douala and Kribi, pursuing the reconciliation of SGS-DGD-GUCE (single electronic trade platform) data, streamlining tax exemptions, increasing the share of current revenue, improving the recovery of tax arrears vis-à-vis public entities, accelerating public auctions at the Douala port, finalizing ex-post controls, intensifying measures to combat fraud and contraband through the HALCOMI operation.

15. The government will continue to rationalize current expenditures, while preserving social spending. This allows to create space to cover the overrun in direct interventions (at least CFAF 20 billion at end-October) and part of the non-budgeted SONARA losses (estimated at around CFAF 60 billion). The government committed to maintain the 20 percent freeze of current spending, generate additional savings on wages and salaries, stopped spending commitments 15 days before the end-November time limit, and will close complementary period operations at end-February 2019.

16. The acceleration of externally-financed investment will be offset by savings on domestically financed investments. At end-October, disbursements on externally-financed projects amounted to CFAF 583 billion, and an additional amount of CFAF 218.8 billion remained to be disbursed. Given the risk of overrun in disbursements of external financing in 2018, the government has established a platform to control the disbursements of non-concessional financing, except the CAN related infrastructure. This platform includes all the structures involved in management of external financing and approves issuance of new disbursement requests on non-concessional loans, except those linked to infrastructures related to the CAN. This approach will continue in fiscal year 2019 to ensure better control of disbursements. The government will further regulate public investments (domestic and externally-financed) to align with the 2018 supplementary budget objectives.

17. The projected overall cash deficit of 3.8 percent of GDP will also be met thanks to measures to limit the stock of arrears and float at end-2018, including:

- Limitations on provisional commitments;
- clearance of arrears, while complying with the objective of accumulation of government deposits at the BEAC;
- prohibiting the transfer of budget appropriations to correspondent accounts;
- cancelling unjustified balances upon the inventory of arrears and ensuring consistency with the overall treasury accounts balance.

Fiscal Policy Objectives for 2019 and the Medium Term

18. The draft 2019 budget submitted to the National Assembly is in line with program objectives. The framework targets a reduction of the overall fiscal deficit (payment order basis) from 2.4 percent of GDP in 2018 to 2 percent of GDP in 2019, owing to an increase in non-oil revenues of at least 0.3 percent of GDP, spending adjustments of 0.5 percent of GDP, and a drop in domestic arrears of 0.5 percent of GDP. The medium-term budgetary framework hinges on the improved non-oil revenue mobilization, and the rationalization of public investment. This would help reduce gradually the overall fiscal deficit and meet the CEMAC convergence criteria by 2021.

19. The government intends to implement tax policy measures to improve non-oil revenue mobilization. The following measures are envisaged in the 2019 draft budget:

- Improving the collection of the land tax by extending the tax amnesty on the land tax and inheritance rights.
- The action plan to gradually reduce tax exemptions will be implemented starting from the 2019 budget, and will yield at least 0.1 percent of GDP in additional revenues (about CFAF 22 billion).

- The payment of taxes and custom duties, in particular the VAT on the execution of externally or jointly-financed public investment starting in January 2019.
- An increase in registration fees on public contracts;
- The suppression of VAT exemptions on life and health insurance contracts and commissions subscribed by companies and individuals.
- The limitation of VAT exemptions on the social portion of water and electricity consumption exclusively to households with moderate consumption.
- Suppression of VAT exemptions on local processing of timber.
- The reduction from 25 percent to 10 percent of the discounted tax base for duties on beer with 5.5 or less alcohol degree, and further redefinition of the tax base for excise taxes.
- The introduction of specific excise tax on imported sodas and other non-alcoholic beverages.
- An increase in excises on tobacco and alcoholic beverages.
- The elimination of certain tax base discounts.
- The improvement of custom duties collection on imported mobile phones and certain softwares.
- Reinforcing the taxation of exported goods.

20. The 2019 budget is in line with the fiscal consolidation aiming at reducing the non-oil primary deficit. The following measures are planned:

- The cleanup of the payroll will be pursued in 2019, to reduce ghost workers and generate budgetary savings on the wage bill. The government also intends to improve transparency and rationalize allowances and other non-wage compensations related to committees by prohibiting cash payments and reclassifying the related spending under "other personal spending".
- Efforts will be pursued to reduce goods and services' expenditures, based on the circular of the Prime Minister. The reduction of mission allowances, operating costs of commissions and the strict application of the revised official price list could yield 0.1 percent of GDP of additional savings. The precautionary freeze will also be maintained and capped at CFAF 30 billion, to pursue the consolidation objective and the reduction of the non-oil primary deficit.
- The prioritization of domestically-financed capital spending and enhancing compliance with budget execution rules, notably with the limitation of provisional commitments, will help reduce capital spending.
- The government will continue to strengthen the programming and monitoring of externally-financed capital spending, in particular the non-concessional financing, to reduce the overall deficit and limit the accumulation of public debt. Quarterly disbursement plans will be prepared for all investment projects, in conjunction with financial partners, and this will serve as the basis for disbursement requests. Effective disbursements and disbursement requests will be monitored on a monthly basis. The government has committed to perform the necessary arbitrations to keep executed capital spending within the overall budget limit.

- SNH direct interventions will be limited, in line with security challenges facing the country. However, to improve budget execution predictability, these direct interventions will be limited to a maximum of CFAF 140 billion in 2019.
- Risks to budget execution may arise from the difficult security context, the impact of oil price increase and the completion of the 2019 CAN related projects. The government has committed to build fiscal buffers to meet program objectives should the risks materialize.

21. In the medium term, the government will pursue the fiscal consolidation while preserving priority social spending. For 2019-20, under the growth and employment strategy, the government will implement bold actions to pursue poverty and inequalities reduction. Starting in 2019, the implementation of the national social protection strategy aims at scaling up the social safety net program, with CFAF 4.5 billion of budget resources allocated to the program and made available to program managers. The government will increase resources allocated to health and education and improve their quality, notably through the allocation of sufficient resources (at least 15 percent of the 2018 budget of the Ministry of Public Health) to the performance-based health spending program. The 2019-20 floor on social spending will gradually rise to reach 4 percent of GDP in 2020.

D. Structural Public Financial Management Reforms

22. Regarding budget management, the enforcement of current measures to strengthen budget execution control will continue:

- The measures of the complementary circular 002 (19 June 2018) aimed at reducing and gradually eliminating exceptional spending procedures (such as provisional commitments, treasury advances, cash advances) and improving fiscal reporting will be pursued, with the 2019 budget execution circular. In particular, spending through exceptional procedures will be limited to 5 percent of domestically-financed spending (excluding debt service). Cash advances and provisional commitments will be eliminated and replaced with regulated advances ("*régies d'avances*"). In addition, starting in January 2019, the government will start monthly regularization of SNH direct interventions. A mechanism has been implemented to identify and regularize direct interventions by nature. The simplified spending mechanism will help reduce direct interventions (new structural benchmark).
- The law on transparency and good governance of public financial management and the law on the financial regime of the State and other public entities were approved by Parliament in June 2018. The government is accelerating the effective implementation of these laws for the 2019 budget law.
- The use of correspondent accounts to safeguard budget appropriations will be prohibited, and the management of counterpart funds will be improved. Public entities' non-revenue generating accounts will be closed. The transfer of new budget appropriations to these accounts remains prohibited, and the reduction of existing balances will be pursued. This measure previously programmed for August 2018, will be fully implemented in June 2019.

- The complementary period will be shortened to one month starting from fiscal year 2019.

23. The government will pursue the medium-term reforms aimed at improving the quality of expenditure and treasury management, in line with the public finance reform program. The main focuses of these reforms are:

a. Acceleration of the transposition of CEMAC directives into national law and their implementation. The draft decrees for the transposition of the four remaining directives into national law will be finalized by end-March 2019.

b. The treasury management reforms will continue and be expanded. In particular, the government will continue to expand the scope of the Treasury single account by closing all non-active accounts and repatriate their balances to the TSA, while avoiding the opening of new accounts. Moreover, the government will ensure that the closing and repatriation of the public entities and CAA accounts (including "idle resources") are effective. The government also plans to pursue dialogue with donors on the possibility of centralizing in a single account opened at the BEAC all counterpart funds for new joint projects. Management of the accounts already opened for existing projects will continue until the finalization of the related studies (management of counterpart funds) while taking into account the requirements of the various donors. The single treasury account will be fully operational in September 2019.

c. Strengthening the financial reporting system to ensure the comprehensiveness, accuracy, reliability, and timeliness of the budgetary and accounting information. In particular, starting in September 2019, the central government fiscal operation tables (TOFE) will be produced using automatic links with the Treasury's general balances of account and will be available 20 days maximum after the end of each month.

d. To improve the efficiency and quality of capital spending, the ministry in charge of public investments will conduct an independent assessment of the maturity of large-scale projects that involve a degree of complexity or strategic challenges, in line with the PEFA recommendations. Moreover, the 2017 assessment of the current spending associated with domestically financed capital expenditures will be expanded to externally financed capital expenditures. This will allow to include in the public investment program only projects contributing to gross fixed capital formation. Options will be proposed for considering these expenditures under the current budget envelop. In the meantime, a mechanism identifying projects that could potentially generate idle resources in commercial banks will be established before end-March 2019.

e. Continued improvement of the monitoring of contingent liabilities and consolidation of the financial situation of the main loss-making SOEs, in order to limit fiscal risks. In particular, the government will accelerate the adoption and implementation of the 2017 laws on the strategy to reform SOEs and other public entities. The government also plans to amend the PPP law to improve the transparency and avoid non-priority projects. The CNDP will systematically review all PPP project proposals.

24. The DGI and DGD will continue the efforts initiated to improve non-oil revenue collection, combat fraud and tax evasion, and ensure the integrity of the taxpayers' database and IT systems.

- The DGI will focus on:
  a. The strengthening of tax audits by strengthening collaboration with the DGD and using the Tax Inspectors without Borders initiative. Based on these results, we intend to tap the tax potential to improve non-oil revenue mobilization by accelerating (i) the taxation of importers who have not submitted their tax returns in 2017, and (ii) the control the companies that carried out sales in 2017 but did not file in their tax returns, and (iii) taxation of companies who didn't pay their company taxes' advance to customs.
  b. Improving the VAT yield through the operationalization of the medium-size entreprises' tax centers, and the recovery of VAT arrears of public enterprises, increasing the VAT threshold and simplifying the tax regime for small businesses; and improving the VAT credit refund mechanism, in particular by enhancing the electronic tracking of VAT credits refund, the gradual clearing of the VAT credits accumulated prior to the establishment of the VAT credits refund escrow account, and the gradual increase of the monthly budget appropriations for VAT credits refund.
  c. Finalize the connection between the active taxpayers' database (FISCALIS) and the tax management tool "MESURE". To date, the connection between FISCALIS and MESURE has been completed. The work towards the development of a module in MESURE for the automatic updates (transfers, closures, mergers, suspensions, creations) and its migration to an online version will be completed by end-June 2019, including for tax centers yet to be computerized.
  d. Continuing the simplification and automation of procedures by introducing electronic payments for big-size and medium-size enterprises, the electronic filing of tax returns (DSF) and the tax registration of legal documents, the automation of tax disputes monitoring and deferment, as well as the management and monitoring of tax arrears.
  e. Broadening risk management through the implementation of an integrated risk management system within the DGI which ensures identification, evaluation, prioritization and mitigation of tax evasion, while mitigating institutional and operational risks.
  f. Improving the recovery of taxes and duties following tax audits, in particular by raising the required deposit at the legal dispute phase, starting in 2019.
- **The DGD will pursue the following measures:**
  a. Securing of tax and customs duties through the quarterly reconciliation of import declarations and scanning images validated by the SGS and the assessed customs duties. A first reconciliation report was prepared in September. For subsequent reports we are planning to amend the reconciliation procedure to increase the effectiveness of this measure, including through (i) the extension of reconciliation at the customs office of the of Yaounde-Nsimalen airport, and to the export operations under the Export Monitoring Sector

Program (PSSE); (ii) the verification of all non-reconciled declarations excluded from the scope of the first report (search for RVC, DI, f.o.b. values and images scanning images); (iii) the reconciliation of tax and duties assessed by SGS on imports of used vehicles and the assessed customs duties; (iv) verification of the transit regime by requiring the declaration of final destination; (v) verification of the regimes in PVI by listing f.o.b. values, fully-loaded container and justifications of tax exemptions; (vi) making mandatory and blocking the report on the value and tariff classification (RVC) in import declarations; (vii) presentation of detailed data of the import declarations, notably by separating each type of product.

b. Monthly reconciliations between taxes and custom duties collected by Customs and revenues transferred to the Treasury (in the context of the TABORD Committee at the DAE, which reconciles revenue agencies data);

c. Pursue the reduction of the tax exemptions in collaboration with the DGI;

d. Operationalize at the latest in the first quarter of 2019 the CIVIC Program at borders in at least 3 (three) regions of Cameroon other than Douala;

e. Improve revenue collection through the simplification of procedures, further expansion of electronic payments and harmonization of tax bases throughout the country;

f. Strengthen the fight against fraud and illicit trafficking through the HALCOMI operation;

g. Strengthen protection of the information system by securing user profiles and interconnection with other partners through the enhancement and securing of ASYCUDA++. Concurrently, finalize modernization of the DGD IT system (CAMCIS) and operationalize certain modules by 1 April 2019.

25. The joint DGI/DGD work on the data of the "FUSION" software will continue and is expected to improve data collection and information sharing between the two administrations. Actions will continue to focus on: (i) the continuation of cleaning-up of the taxpayer database using the results of crosschecking between the customs and tax databases, (ii) harmonization and simplification of procedures; (iii) streamlining of tax exemptions, particularly the April 2013 law on tax incentives, and the assessment of tax expenditures, particularly by cleaning-up the lists of goods and equipment to be imported and the use of experts for the validation of types and quantities of equipment and other goods to be approved, and the acceleration of verifications by joint DGI-DGD audits of enterprises having benefited from exemptions, (iv) securing exemptions by requiring the transmission without delay of the document signed by MINFI to the department of legislation and litigation for management and inclusion into a database established at the central services of the DGD, (v) enhanced information sharing between DGD and DGI, particularly the transfer of the tax returns of big-size and medium-size enterprises to the FUSION platform, and the provision of comprehensive information on purchases of tax stickers to allow effective crosschecking during audits; and (v) more effective joint audits and investigations to further improve revenue mobilization.

E. Debt Policy and Cross-Debt Management

26. The government's debt policy remains focused on the need to avoid debt distress and to keep public debt on a sustainable path. The government will continue to prioritize concessional financing and to limit non-concessional borrowing to priority projects for which no concessional financing is available, and according to the limits set out in the program in accordance with the findings of the public debt sustainability analysis.

27. The government firmly adheres to the borrowing limits of the program. Of the 31 new loans that were envisaged in the 2018 borrowing plan, 10 were contracted, including 5 non-concessional loans for a total amount of CFAF 267.1 billion, and 5 concessional loans for an amount of CFAF 88.8 billion. The others were not yet contracted due to delays in project appraisal. These projects will, in principle, be signed by the end of the year (Text Table 1).

28. The 2019 non-concessional borrowing has been capped at CFAF 500 billion in the draft budget. The 2019 non-concessional borrowing plan was elaborated in consultation with donors based on medium-term development priorities, in order to also prioritize projects with high economic and social return and financially less expensive. Regarding concessional debt, the government intends to borrow CFAF 150 billion at a very advanced state of preparation, with many already approved by the boards of partner institutions (Table Text 2).

29. The government is implementing measures to permanently contain the SENDs. As specified in the plan to reduce SENDs, disbursements related to ongoing projects will be carried out in line with the fiscal policy objectives and the government will, after consultation with development partners, prepare a detailed SENDs disbursement plan for 2019-20 by March 2019, (new structural benchmark) to avoid the risk of debt distress and safeguard debt servicing capacity.

30. Moreover, the government intends to gradually expand the collection and analysis of public debt data to SOEs and other public entities, including cross debts. Regarding public utility companies (ENEO, CAMWATER, CAMTEL, SONARA), the Treasury will proceed to quarterly payments on the basis of the annual budget allocations to limit the accumulation of cross-debts, and will reconcile these payments with actual consumption at the end of the year. In turn, these companies will honor their tax obligations.

Text Table 1. Cameroon: Revised 2018 Borrowing Plan

N°	Project	Creditor	Amount (CFAF billion)	Status
	Prioritised Concessional Loans Under the Borrowing Target			
1	Project for the construction of a bridge across the Logone River and adjoining developments	AfDB	**21.9**	Signed (05/24/2018)
2	Project for the construction of a bridge across the Logone River and adjoining developments	ADF	**7.8**	Signed (05/24/2018)
3	Rural electrification project by the OPEC Fund for International Development	OFID	**7.8**	Signed (05/25/2018)
4	Cameroon Mining Sector Technical Assistance project	WB	**16.6**	Signed (06/20/2018)
5	Agricultural infrastructure and value chain development project in Cameroon (RUMPI 2)	IsDB	**34.7**	Signed and send to IsDB for signing
6	Feasibility study for the Ngaoundére-Djamena railway route	AfDB	**1.6**	Pending authorization decree
7	Study on the Rural Water Supply and Sanitation Program	AfDB	**3.5**	Pending authorization decree
8	Strengthening Public Sector Effectiveness and Statistical Capacity Project	WB	**17.4**	Pending authorization decree
9	Project for the construction of the Nanga Eboko Vocational Training Center	Raiffeisen Bank	**3.3**	Pending authorization decree
10	Community Development Program Support Response to Forced Displacements	WB	**4.5**	Pending authorization decree
11	Health System Performance Reinforcement - Additional Financing	WB	**3.3**	Pending authorization decree
12	Social Safety Nets for Crisis Response	WB	**19.9**	Pending authorization decree
13	Education Reform Support Project	WB	**55.0**	Pending authorization decree
14	Project in Support of the Elimination of Mother-to-Child HIV Transmission in Cameroon	IsDB	**12.4**	Pending authorization decree
15	Project for the modernization of the DGI	KFW	**9.8**	Pending authorization decree
16	Hydropower Development on the Sanaga River Technical Assistance Project	WB	**17.7**	Pending CNDP's opinion
17	Project for the interconnection of the electricity networks of Cameroon and Chad, Study	ADF	**4.7**	Pending the compliance report
	Total		**241.9**	
	Prioritised Non-concessional Loans Under the BorrowingTarget			
18	Project for the rehabilitation of the Roumde-adja Stadium, construction of the auxiliary stadium and a 4-star hotel in Garoua	BMCE Bank international	**32.0**	Signed (03/19/2018)
19	Project for the expansion of the intelligent urban video surveillance system nationally (Phase I, 1,500 cameras)	BANK OF CHINA	**23.0**	Signed (02/22/2018)
20	Imports of crude oil by SONARA	ITFC/IsDB	**50.0**	Signed (02/19/2018)
21	Project for the stabilization and improvement of the electricity networks in the city of Douala	SG Paris	**108.6**	Signed (03/07/2018)
22	Water supply project for nine cities, Phase II: Dschang, Garoua-boulai, Garoua, Maroua and Yabassi	Eximbank China	**53.5**	Signed (03/22/2018)
23	Feasibility and design studies for the project to supply water to the cities of Buea, Tiko and Mutenguene	SG Paris	**3.0**	Authorization decree signed (01/29/2018)
24	Project for the construction of the Ebolowa-Kribi (225 KV) and Mbalmayo-Mekin (90 KV) transmission lines and related works	BANK OF CHINA	**33.3**	Pending authorization decree
25	Project for the purchase of rolling stock for CAMRAIL (Phase 1)	Standard Chartered Bank	**8.0**	Pending authorization decree
26	Line of credit for the financing of a fertilizer import operation for SODECOTON	ABEDA	**15.6**	Pending authorization decree
27	Project to increase the capacity of the SODECOTON plants	ABEDA	**5.3**	Pending authorization decree
28	Regional project for the socioeconomic reintegration of young people	AfDB	**6.2**	Pending authorization decree
29	Agricultural inputs import operation for the 2017, 2018 cotton season	ITFC	**64.3**	Pending authorization decree
30	Project 25 wagons	Deutsche Bank	**13.0**	Pending the compliance report
31	Construction of the 225 KV Electric Power Transmission Line for the Supply of the KRIBI Industrial Port Complex (Phase 1)	China Dev Bank	**18.0**	Pending the compliance report
	Total		**433.7**	
	Potential Substitute for Non-concessional Loans			
32	Project for the rehabilitation of the CRTV	Eximbank China	**15.0**	Pending the compliance report
33	Phase II PLANUT "Fisheries and Livestock" Component	Deutsche Bank Spain	**32.4**	Pending the compliance report
	Total		**47.4**	

Text Table 2. Cameroon: Borrowing Plan 2019

N°	Project	Creditor	Project Manager	Amount (CFAF billion)	Status
	Prioritised Concessional Loans Under the Borrowing Target				
1	Additional financing of the project PEA-JEUN	IFAD	MINEPAT	**14.9**	Pending CNDP's opinion
2	Project for the Development of Inclusive and Resilient Cities	WB	MINHDU	**93.6**	Pending CNDP's opinion
3	Project for the Interconnection of Electricity Networks between Cameroon and Chad	AfDF	MINEE	**4.8**	Pending the compliance report
4	West Africa Agricultural Transformation Project	WB	MINADER	**33.0**	Pending the compliance report
	Total			**146.3**	
	Prioritised Non-concessional Loans Under the BorrowingTarget				
5	Project for the expansion of the intelligent urban surveillance system at national level (Phase I, 1,500 cameras)	Bank of China	DGSN	**23.0**	Authorization decree signed, Phase II of the agreement that was signed in 2018
6	Project for the Construction of the Ebolowa-Kribi (225 KV) and Mbalmayo-Mekin (90 KV) transmission lines and related works	Bank of China	MINEE	**45.3**	Phase II of the agreement that was signed in 2018
7	Project for the Construction of the Olama-Kribi Road (Section Bingambo-Grandzambi)	AfDB	MINTP	**7.5**	Pending CNDP's opinion
8	Project for the Construction of the Olama-Kribi Road (Section Bingambo-Grandzambi)	Kuweit Fund	MINTP	**8.5**	Pending CNDP's opinion
9	Project for the Construction and Equipment of the Annex Building of the Mbalmayo Regional Hospital	BADEA	MINSANTE	**6.4**	Pending CNDP's opinion
10	Project for the Development of the Value Chain in Lifestock and Fish Breeding	AfDB	MINEPIA	**54.4**	Pending CNDP's opinion
11	Construction of 225 KV Transmission Lines Between N'Gaoundéré and Tibati	ICBC	MINEE	**45.0**	Pending CNDP's opinion
12	Project for the Interconnection of Electricity Networks between Cameroon and Chad	AfDB	MINEE	**141.2**	Pending the compliance report
13	Project for the Renovation of the National Center for the Rehabilitation of Disabled Persons (CNRPH) - Cardinal Paul Emile LEGER	BMCE Bank international	MINAS	**35.0**	Pending the compliance report
14	Menchum Hydroelectric Development Project	ICBC	MINEE	**50.0**	Pending the compliance report
15	Development Works of the Logistics Zone of the Kribi Port	China Dev Bank	PAK	**36.0**	Pending the compliance report
16	Road Program Phase 3 (Ring Road)	AfDB	MINTP	**12.0**	Pending the compliance report
17	Project for the Construction of 2,412 drinking water drilling Equipped with Human-Powered Pumps in the Northern Regions of Cameroon (PLANUT)	Standard Chartered Bank	MINEE	**32.1**	Pending the compliance report
	Total			**496.3**	
	Potential Substitutes for Concessional Loans				
18	Project in Support to the Elimination of Mother-to-Child HIV Transmission in Cameroon	IsDB	MINSANTE	**14.1**	Phase II of the agreement that was signed in 2018
19	Development of the Value Chain for Rice	IsDB	…	**40.0**	Pending the compliance report
	Total			**54.1**	
	Potential Substitute for Non-concessional Loans				
20	Project for the Competitiveness of Cotton and Food Crops	IsDB	MINADER	**30.0**	Pending the compliance report
21	Construction of the 225 KV Electric Power Transmission Line for the Supply of the KRIBI Industrial Port Complex (Phase 1)	China Dev Bank	PAK	**18.0**	Pending the compliance report
22	Projets for the Rehabilitation of the CRTV	Eximbank China	CRTV	**25.0**	Pending the compliance report
	Total			**73.0**	

31. The government will take steps to ensure the financial viability of SONARA. This entails:

a. revision of the petroleum products price structure by adjusting before April 2019:
   - the transport equalization payment and
   - the liberalized items of the price structure (overhead costs, transport losses);

b. revision of the gas price structure to control spending due to revenue losses on LPG and SONARA production. Also, CSPH supply contracts should be revised to optimize the cost of LPG through competitive bidding, the validation of GPL shortfalls by the committee in charge of validation of SONARA shortfalls, and the regular transfer of CSPH cash surpluses to the Treasury (new structural benchmark for January 2019);

c. the launch of a communication campaign on the costs of oil prices subsidies and the need for a gradual adjustment of pump prices in response to fluctuations to international prices;

d. buyback of SONARA securities (OTZ) by the government to repay the 2013 crude oil suppliers debt that would result in a reduction of financial costs and the restoration of confidence;

e. monthly clearance of the revenue shortfalls and the settlement of amounts due within a maximum period of 90 days;

F. Regional Monetary Policy and Financial Sector Stability

32. The government commits to implement policies that are consistent with maintaining the stability of the monetary arrangement, which requires the stabilization and restoration of BEAC reserves. Specifically, the non-repatriation of all export earnings, including oil revenues, contributes to the slower-than-expected replenishment of BEAC's reserves. In this regard, the government undertakes to support the efforts of BEAC and COBAC to strengthen the implementation of exchange regulations, including:

a. ensuring that oil companies comply with the provisions of Articles 64, 65, 66, and 67 of the foreign exchange regulation in force on the domiciliation of export/import transactions, the full repatriation of export earnings, as well as the reporting of all their accounts abroad to the BEAC. To this end, the government will provide by end-2018 to the BEAC copies of all contracts and agreements signed with extractive industries companies;

b. the government will ensure, without prejudice to trade activities, that all competent government services, including the customs administration, strictly control exporters' domiciliation of all their export earnings in resident commercial banks and that they communicate information on all export documents to BEAC;

c. the government will ensure that all public entities (including State-owned extractive industries) repatriate and deposit all their foreign exchange earnings with resident commercial banks, do not keep accounts abroad without an authorization from BEAC and, where they have accounts authorized by BEAC, they should regularly give the situation of such accounts to BEAC;

d. the government will, by end-June 2019, and in collaboration with BEAC, put the oil and mining codes in conformity with the exchange regulations;

e. moreover, and in accordance with its obligations under the regional convergence framework, the government will, by the end of the year, submit its three-year convergence plan for 2019-21 to the CEMAC Commission. This plan will be in line with commitments under the IMF-supported program and will include an arrears clearance plan.

33. The government commits to accelerating reforms aimed at strengthening financial sector stability. Regarding the two distressed banks, the government will, finalize the (cost and feasibility) assessment of the resolution options of distressed banks with the support of technical and financial partners by end-2018 and will implement the option adopted by August 2019 (new structural benchmark. Following the August 2018 IMF technical assistance, the government will validate by end-November 2018 the SRC valuation methodology in order to systematically use it for all the non-productive assets that will be transferred to the State and will be given to it for recovery. The amendment to the contract of the public capital bank was signed in October. The authorities will ensure strict implementation thereof, in particular, the establishment by end-June 2019 of a mostly independent board of directors and a system of governance, committees and internal audit excluding the influence of the shareholder in the management of the bank, with a view to privatizing the bank by 2020. A selective credit policy, in line with market development, will be put in place starting 2019 to strengthen the bank's financial situation. Regarding the SME Bank, its economic model is currently under review. Authorities will decide on a new model by end-March 2019 (structural benchmark) after consultation with IMF and on the basis of the findings of the study on the evaluation and the level of satisfaction of the financing needs of SMEs in good standing in Cameroon.

34. The government is pursuing the implementation of the plan to reduce non-performing loans. The plan includes (i) the training of 20 judges and 10 court clerks from the main centers of judicial activities, which will begin early December 2018 to conclude its first cycle by end- December 2018, on banking and credit repayment disputes (structural benchmark at end-December 2018) and a continuous training program will be developed by end-June 2019 in cooperation with banks and the national school of magistracy; (ii) the installation of pre-trial judges for civil and commercial cases by August 2019; (iii) the detailed situation of non-performing loans now available; the authorities will get in touch with COBAC to share their findings by end-December 2018. The law on the establishment of commercial courts will be adopted by June 2019 to enable the creation of commercial courts in Yaoundé and Douala by end-June 2020. There will be a review of the situation of arbitration by end-January 2019, in order to encourage its use. In addition, the preliminary draft law on the penalization of non-repayment of credit was forwarded to the Prime Minister’s Office which will considers the comments of the IMF as well as its smooth incorporation into the national and regional legal framework in force. The order establishing the national computerized registry of movable assets, was signed by the Minister of Finance in October 2018 and banks are required to register their sureties starting from the establishment of the registry by end-December 2018 to ensure that a complete database is available by end-March 2019 (reprogrammed structural benchmark).

G. Competitiveness and Private Sector Development

35. The government is committed to accelerating the implementation of measures designed to support the development of the private sector and diversification of the economy. In addition to the lack of infrastructure, the main obstacles to greater economic competitiveness are the unfavorable business climate and the weak private sector's access to financial services. Several reforms, including in coordination with the regional authorities, are under way to improve the competitiveness and attractiveness of the Cameroonian economy for foreign direct investment and trade. The costs and delays related to foreign trade remain very high, exceeding those observed in the region, and firm measures have been undertaken to reduce the congestion in the port of Douala and to facilitate trade. Further, the government will continue to implement the following measures:

a. The government is implementing the 14 recommendations of the Extractive Industries Transparency Initiative (EITI) Committee so that Cameroon can be declared compliant with the 2016 standard by end-2019;

b. A National Risk Assessment (NRA), a preparatory step for the GABAC assessment of our anti-money laundering and combatting the financing of terrorism framework (AML/CFT) scheduled for September 2019, will be conducted in November 2018 with World Bank support. In order to enhance implementation of AML/CFT regulations, the National Agency for Financial Investigation (NAFI) will remind banks, members of regulated professions and relevant authorities including regional institutions of their suspicious transaction reporting obligations and conduct training sessions in the first half of 2019. The Ministry of Justice will compile statistics on AML/CFT-related cases starting in 2019;

c. The review of the new CEMAC Customs Code has been completed and validated by the Member States within the framework of the dedicated Sub-Regional Committee. The draft reviewed Customs Code will be submitted for adoption at the next session of the Council of Ministers of CAEU. Besides, the CEMAC Customs Tariff according to the 2017 version of the Harmonized System has been adopted by the Council of Ministers of CAEU according to the Regulation No. 10/17-UEAC-CM-010-A-30-SE of 29 October 2017;

d. Expansion of geographic coverage of the electronic payment platform, e-manifest and e-force at certain land and sea borders including Idenau, Bota, Cape Limboh, Gaschiga and Dourbeye, and further extension of the one-stop shop for payment of all the royalties of other foreign trade actors;

e. Improvement of the quality of customs services through implementation of the risk management system with four control circuits including two immediate control circuits (yellow and red), two post-removal control circuits (green and blue). As a reminder, to date 16 operators are benefiting from the green circuit facility;

f. Securing and facilitating transit through the Single Transit Document (STD) already operational for cargo in transit for the sub-region;

g. Creation of a warehouse of used vehicles of less than 10 (ten) years of age;

h. Respect of concession agreements signed by the State and improvement of public-private dialogue.

36. The government will also continue to implement measures aimed at simplifying tax collection procedures. For this purpose, the regime of assessment for small and micro enterprises will be simplified. The implementation of the telepayment of duties and taxes will be finalized by end-2019.

V. PROGRAM ARRANGEMENTS

37. The government will take all measures needed to achieve the objectives and meet the criteria, as presented in Tables 1 and 2 of this memorandum. The program will be subject to semiannual reviews and performance criteria, indicative targets and structural benchmarks as set out in Tables 1 and 2 of this Memorandum and in the attached Technical Memorandum of Understanding (which also sets out the requirements for reporting the data to Fund staff). The fourth program review will be based on end-December 2018 targets and is expected to be completed on or after June 15, 2019, and the fifth review will be based on end-June 2019 targets and is expected to be completed on or after December 15, 2019.

Table 1. Cameroon: Quantitative Performance Criteria and Indicative Benchmarks (March 2018–December 2019)

(CFAF billion, cumulative for each fiscal year)

	2018														2019						
	Mar				Jun				Sep				Dec		Mar		Jun		Sep	Dec
	IT	Adj. IT	Act.	Status	2nd Rev., Rev. PC	Adj. PC/IT	Act.	Status	2nd Rev. IT	Adj. PC/IT	Prel.	Status	2nd Rev. PC	Prop. new PC	2nd Rev. IT	Prop. new IT.	2nd Rev. Proj.	Prop. PC	Prop. IT	Proj.
A. Quantitative performance criteria and indicative targets 1/																				
Floor on the non-oil primary fiscal balance (payment order basis)	-53	-53	33	Met	-320	-320	-203	Met	-477	-477	-446	Met	-872		-46	-123	-278	-417	-574	-673
Ceiling on the net domestic financing of the central government excluding IMF financing 2/	-43	-161	-146	Not met	-25	8	-90	Met	-96	-113	-201	Met	-8		-13	-51	-26	-10	-101	18
Ceiling on net borrowing of the central government from the central bank excluding IMF financing 2/	-304	-422	-92	Not met	-47	-14	-10	Not met	-46	-63	36	Not met	-15	-70	0	-36	48	9	-30	-6
Ceiling on the disbursement of non-concessional external debt 7/	350	350	73	Met	350	350	252.8	Met	596	596	371	Met	596		324	353	324	353	588	588
B. Continuous quantitative performance criteria 3/																				
Ceiling on the accumulation of new external payments arrears	0	0	0	Met	0	0	0	Met	0	0	0	Met	0		0	0	0	0	0	0
Ceiling on new non-concessional external debt contracted or guaranteed by the government 4/; 5/	436	554	363	Met	436	554	370	Met	436	620	436	Met	436		500	500	500	500	500	500
C. Indicative Targets																				
Floor on non-oil revenue	689	689	621	Not met	1,331	1,331	1,305	Not met	1,968	1,968	1,994	Met	2,680		746	669	1,442	1,385	2,102	2,892
Ceiling on the net accumulation of domestic payment arrears	0	0	239	Not met	0	0	-101	Met	0	0	-75	Met	-94		0	0	0	0	0	-103
Floor on social spending	144	144	143	Not met	288	288	301	Met	460	460	462	Met	657		156	164	312	325	497	749
Ceiling on direct interventions of SNH	156	156	44	Met	156	156	95	Met	156	156	149	Met	156		152	140	152	140	140	140
Share of spending executed through exceptional procedures on authorized (payment order) spending 8/									10	10	10	Met	10		5	5	5	5	5	5
Memorandum items:																				
1. Cumulative external budget support, excluding IMF (earliest disbursement)	0	0	118		151	151	118		167	167	184		253	298	0	55	151	88	219	298
2. New concessional external debt contracted or guaranteed by the government 6/	152	152	0		152	152	45		245	245	70		245		150	150	150	150	150	150
3. Balance of the special account for the unused statutory advances					247	247	247		247	247	255		227		227	214	227	202	189	177

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

Note: The terms in this table are defined in the TMU.

1/ Program indicators under A are performance criteria at end-December and end-June; indicative targets otherwise.

2/ The ceiling on net domestic financing (excluding payment of arrears) of the budget and the ceiling on the net borrowing from the central bank will be adjusted if the amount of disbursements of external budgetary assistance excluding IMF financing, falls short of or exceeds program forecasts. If disbursements are less (higher) than the programmed amounts, the ceiling will be raised (reduced) pro tanto, up to a maximum of CFAF 120 billion at the end of each quarter.

3/ The targets are set from the beginning of the year.

4/ Excluding ordinary credit for imports and debt relief obtained in the form of rescheduling or refinancing.

5/ For 2018, the ceiling will be adjusted upwards by the amount of non-concessional budget support excluding IMF financing for debt management operations, up to the amounts specified in memorandum item No. 1 below excluding budget support grants. Starting 2019 the adjustment will be equal to the amount of non-concessional budget support approved up to a maximum of CFAF 275 billion.

6/ On a contracting basis in accordance with the IMF's debt limits policy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf.

7/The PC on the disbursement of non-concessional external debt contracted as of the date of program approval is modified starting September 2018 to include all non-concessional project loans.

8/ This refers to payments made by the Treasury without prior authorization (issuance of payment orders, such as cash advances, provisional budget commitments, and advance funds), excluding debt service payments.

Table 2. Cameroon: Prior Actions and Structural Benchmarks, 2018-19

		Timetable	Indicator	Status
Prior Actions				
1	submitting to Parliament a 2019 budget in line with program objectives.		Transmission letter of the 2019 budget to parliament	
2	Adoption by the by MINFI and MINEPAT of a time-bound action plan to validate and reduce identified non-performing SENDs through cancellation of already-closed projects or reallocation to new priority investment needs.		Action plan signed by the President of the CNDP	
Fiscal policy and revenue mobilization				
1	Include the total petroleum receipts of national oil company SNH and direct interventions in the monthly table of government financial operations (TOFE).	From Jun-17	Monthly TOFE	Met, proposed to be moved to the TMU as required information
2	Publish the petroleum product price structure on a monthly basis.	From Jun-17	Publication online and in newspapers	Met, proposed to be moved to the TMU as required information
3	Publish quarterly budget execution reports.	From Q2-2017	Publication online and in newspapers	Met, proposed to be moved to the TMU as required information
4	Strengthen information sharing between the Directorate General of Taxes (DGI) and the Directorate General of Customs (DGD). The two administrations will jointly prepare quarterly reports identifying, inter alia, results in terms of the identification of fraud and additional revenue collected.	From Q2-2017	Report submitted to Fund staff	Met, proposed to be moved to the TMU as required information
5	Publish a communiqué conditioning the customs clearance operations of the goods to the existence of the professional taxpayers in the active file of the DGI.	Jul-18	Communiqué published in the press and online	Met
6	Implement the interface between the active taxpayers' database (FISCALIS) and the tax management application (MESURE).	Jul-18	Report submitted to Fund staff	Met
7	Prepare quarterly reconciliation of import declarations and scanner images validated by SGS and the assessed customs values.	Quarterly starting in Sep-18	Quarterly verification reports submitted to Fund staff	Met
8	Improve collection of the property tax by linking it to the electricity distribution system, and share the revenue from the tax between the central government and the decentralized local governments.	Dec-18	2019 budget law	Not met
Public finance and debt management				
9	Disclose the type and volume of contingent liabilities in an annex to the budget law, including the firm and contingent liabilities of all existing public-private partnerships (PPPs).	Annual beginning Oct-2017	Annexed to the budget law	Met
10	Monthly monitoring report of disbursement requests and actual disbursements.	Monthly starting in Jul-18	Report submitted to Fund staff	Met
11	Produce a quarterly report on balances payable and arrears for prior fiscal years.	Quarterly, starting in Jul-18	Report submitted to Fund staff	Met
12	Adoption by MINFI and MINEPAT of a plan to reduce SENDs related to projects that are not mature, that includes measures to reduce SENDs linked to non-performing projects by at least one-third by end-December 2018.	Jul-18	Plan submitted to Fund staff	Not met, set as prior action for the third review
13	As part of the strategy to expand the Treasury Single Account (TSA), establish a calendar for the closure and repatriation of the Bank accounts of the EPAs and some of the accounts of CAA.	Jul-18	Calendar for accounts closure identifying different accounts submitted to Fund staff	Met
14	Close all correspondent accounts for non-revenue generating entities (mainly public administrations such as sectoral ministries and public agencies), and stop the transfer of new budget appropriations to these accounts.	Aug-18	Accounting statements confirming the closure of the accounts	Not met, proposed to be reset to June-2019

Table 2. Cameroon: Prior Actions and Structural Benchmarks, 2018-19 (concluded)

		Timetable	Indicator	Status
Financial sector stability and private sector led growth				
15	Reduce processing lags for invoices to two months between the commitment date and coverage by the treasury.	Jun-18	Report from the Directorate General of the Budget and the Directorate General of Treasury	Not met, completed in November 2018
16	Sign a performance contract with the management of the state-owned bank.	Jul-18	Contract signed and submitted to Fund staff	Not met, completed at end-October
17	Evaluate (cost and feasibility) the resolution options of the troubled banks.	Aug-18	Evaluation report finalized in consultation with Fund staff	Not met
18	Decide the business model of the SME bank.	Aug-18	The revised business model is submitted to Fund staff	Not met, proposed to be reset to Mar-2019
19	Quarterly payment of utility bills (ENEO, CAMWATER, CAMTEL, SONARA) based on annual budget allocations.	Quarterly, starting in Sep-18	Accounting and budgetary statement indicating the monthly payments will be sent to Fund staff	Met
20	Provide training in banking disputes' resolution for commercial court judges in the major business centers.	Dec-18	At least 10 judges trained in the fiscal year	In progress, the TOR is prepared and training programmed
21	Computerize the register of movable collateral.	Dec-18	Register available online	I progress, the legal framework has been set-up
Proposed new structural benchmarks				
1	Allow open bids for LPG fuel purchases, validate compensations needed for LPG fuel in committee and regularly transfer of cash surpluses of the Hydrocarbon Prices Stabilization Agency (CSPH) to the Treasury.	Jan-19	Prime Minister Decree	
2	Put in place a mechanism to identify the nature and reconcile the direct interventions of the SNH to ensure their monthly regularization according to the different natures of the expenditure.	Jan-19	Set up a reconciliation committee and present a table of SNH interventions by type of expenditure	
3	Decide the business model of the SME bank.	Mar-19	The approved business model is submitted to Fund staff	
4	Finalize the movable collateral database by entering all movable collaterals detained by the banks.	Mar-19	Register with all movable collaterals detained by the banks available	
5	Prepare a dibursement plan for the SENDs for 2019-20 follwing the discussions with development partners.	Mar-19	A disbursement plan for the SENDs is sent to Fund staff	
6	Close all correspondent accounts for non-revenue generating entities (mainly public administrations such as sectoral ministries and public agencies), and stop the transfer of new budget appropriations to these accounts.	Jun-19	Accounting statements confirming the closure of all the accounts	
7	Resolve the two ailing banks	Aug-19	The two banks are recapitalized or resolved	
8	Complete the Treasury single account by closing all public accounts eligible to the TSA in the commercial banks and consolidate those in the Treasury and BEAC to fewer accounts.	Sep-19	The TSA is functional and central government and EPA accounts are closed in commercial banks	

Attachment II. Technical Memorandum of Understanding

Provisions of the Extended Credit Facility (ECF) 2017–20

1. This Technical Memorandum of Understanding (TMU) defines the quantitative performance criteria and indicative objectives that will be used to assess performance in connection with Cameroon's program supported by the Extended Credit Facility (ECF) approved in June 2017. The ECF establishes the framework and deadlines for reporting data to be used by IMF staff to assess program implementation.

Conditionality

2. The quantitative performance criteria and indicative objectives from end-December 2018 to end-September 2019 are provided in Table 1 of the Memorandum of Economic and Financial Policies (MEFP) attached to the Letter of Intent. The structural benchmarks defined in the program are provided in detail in Table 2 of the MEFP.

Definitions

3. The Government: Unless otherwise noted, "government" is defined as the central government of the Republic of Cameroon, which includes all implementing agencies, institutions, and any organizations receiving special public funds, whose powers are included in the definition of central government under the 20*01 Government Finance Statistics Manual (GFSM 2001,* paragraphs 2.48–50). This definition does not include local governments, the central bank, and any other public entity belonging to the government that has autonomous legal status and whose operations are not included in the government financial operations table (TOFE).

4. A public enterprise is a commercial or industrial unit fully or partially owned by the government or its bodies, that sells goods and services to the public on a large scale.

Revenue

5. Total government resources are comprised of tax and nontax budget revenue (as defined under Chapter 5 of *GFSM 2001*) and grants. Revenue is recorded in the accounting system on a cash basis. Proceeds from the sale of assets and privatization revenue (defined in paragraph 8) are not considered government revenue.

6. Oil revenue is defined as the total transferable balance of the SNH (*Société nationale des hydrocarbures*), the national hydrocarbons company, and income tax on petroleum companies and gas operators. The authorities will notify IMF staff of any changes in the tax systems that may occur that would lead to changes in revenue flows. Oil revenue is recorded in the accounting system on a cash basis.

7. **Non-oil revenue** includes all the government's (tax and nontax) revenue, with the exception of oil revenue as defined under paragraph 6. Value-added tax (VAT) is recorded net of VAT reimbursements. Pipeline fees paid by Cameroon Oil Transportation Company (COTCO) are recorded under nontax revenue.

8. **Privatization revenue** includes all funds paid to the government in connection with the sale or transfer of the management of a public enterprise (concession), agency, or facility to one or more private enterprises (including enterprises fully controlled by one or more foreign governments), one or more private entities, or one or more individuals. The proceeds from privatizations also include, inter alia, all funds deriving from the sale of shares held by the government in private companies or public enterprises. All privatization revenue must be recorded on a gross basis. Any costs that may be involved in the sale or concession must be recorded separately under expenditure.

Expenditure

9. **Total government expenditure and net lending** include are all wage and salary expenditure for civil servants, goods and services, transfers (including subsidies, grants, social security benefits, and other expenditure), interest payments, and capital expenditure, all of which are recorded in the accounting system on a payment authorization basis, unless otherwise indicated, and net lending (defined in *GFSM 2001*). Total government expenditure also includes expenditure items executed without prior authorization that are pending regularization.

10. **Spending advances [*interventions directes*] by SNH** (National Hydrocarbon Society) are part of government expenditure, and include emergency payments made by SNH on behalf of the government, substantially to cover exceptional security and sovereignty outlays.

11. **Social expenditure** includes public expenditure recorded in the government budget in connection with priority programs to accelerate attainment of the government's social development objectives. This item includes (i) for the education sector, total (current and capital) expenditure of the Ministries of Elementary Education, Secondary Education, and Employment and Professional Training; (ii) for the health sector, current expenditure of the Ministry of Public Health; and (iii) for the other social sectors, current expenditure of the Ministries of Labor and Social Security, Youth and Citizenship Education, Social Affairs, and Promotion of Women and the Family.

Balance and Financing

12. **Primary balance**: The primary balance is defined as the difference between total government revenue (defined in paragraph 5) and total government expenditure and net lending (defined in paragraph 9) not including interest payments in connection with external and domestic debt.

13. **Debt:** The definition of "debt" is set out in paragraph 8 (a) of the Guidelines on Public Debt Conditionality in Fund Arrangement attached to the Executive Board Decision 15688–(14/107), but also includes commitments contracted or guaranteed, for which value has not been received. For purposes of these guidelines, "**debt”** is understood to mean a direct, i.e., non-contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including monetary assets) or services, and under which the debtor to is also required to undertake to make one or more payments in the form of assets (including monetary assets) or services, according to an established schedule. These payments will discharge the debtor of the principal and/or interest liabilities undertaken in connection with the contractual arrangement. In accordance with the foregoing definition of debt, any penalties or damages awarded by a court as a result of the nonpayment of a contractual obligation that constitutes debt are debt.

14. **External debt,** in the assessment of the relevant criteria, is defined as any borrowing or debt service in a currency other than the CFA franc. This definition also applies to debt between countries of the Central African Economic and Monetary Community (CEMAC). The relevant performance criteria apply to external debt of the government, public enterprises that receive transfers from the government and other public entities in which the government holds more than 50 percent of the capital, or any other private debt for which the government has offered a guarantee that should be considered to constitute a contingent liability. **Guaranteed debt** refers to any explicit legal obligation incumbent on the government to reimburse a debt in the event of payment default by the debtor (whether the payments must be made in cash or in kind).

15. **Concessional external debt**: External debt is considered concessional if it comprises a grant component of at least 35 percent.[2] The grant component is the difference between the face value of the loan and its present value expressed as a percentage of the face value. The present value of debt at the date on which it is contractually arranged is calculated by discounting to present value of the debt service payments at the date on which the debt was arranged.[3] A discount rate of 5 percent is used for that purpose.

16. **Domestic debt** is defined as all of the government's debts and obligations in CFA francs. This item includes unreimbursed balances, advances from the Bank of Central African States (BEAC), Treasury bills and bonds, structured debt, nonstructured debt, domestic payment arrears, and debt to SONARAs suppliers.

- **Structured debt** is defined as debt that has been subject to a formal agreement [*convention*] or securitization [*titrisation*]. Under the program, structured bank debt is included in net bank credit and structured nonbank debt is reflected in nonbank financing.

    i. ***Structured bank debt*** is defined as all claims of local banks on the government, with the exception of treasury bills and bonds. This item involves securitized bank debt, the outstanding balance of which at end-2016 was CFAF 86.36 billion, plus direct advance arrangements.

[2] The link to the IMF website below refers to an instrument used to calculate the grant component for a broad range of financial arrangements: http://www.imf.org/external/np/pdr/conc/calculator.

[3] The calculation of concessionality reflects all aspects of the loan agreement, including the maturity, grace period, schedule of maturities, commitment fees, and management fees. The calculation of the concessionality of Islamic Development Bank (IsDB) loans will reflect the existing agreement between the IsDB and the IMF.

ii. ***Structured nonbank debt*** is defined as all of the government's balances payable in connection with local nonbank institutions or individuals or the CEMAC, that have been securitized of subject to a formal reimbursement agreement according to a clearly defined schedule.

- **Nonstructured debt** is defined as all balances payable transferred to the national amortization fund [*Caisse Autonome d'Amortissement*] *(*CAA) that have not been subject to a formal reimbursement agreement or securitization arrangement. The outstanding balance of nonstructured debt was CFAF 113.96 billion at end-2016. In connection with the program, the stock of nonstructured debt is part of the stock of domestic payment arrears. Accordingly, any payments in connection with nonstructured debt will be deducted from the stock of domestic payment arrears and will therefore have an impact on the primarily balance on a cash basis.

17. Net domestic financing of the government: is defined as the sum of (i) net bank credit to the government; and (ii) net nonbank financing.

- Net bank credit to the government is equal to the change in the balance between government's liabilities and assets with the national banking system. These assets include (i) cash resources on hand with the treasury; (ii) treasury deposits with the central bank, not including the Heavily Indebted Poor Counties (HIPC) account and the Debt Reduction and Development Contract (C2D) account; and (iii) the credit balance of the accounts of the *Caisse Autonome d'Amortissement* with commercial banks earmarked for reimbursement of the government's debt obligations. The government's outstanding balances include (i) financing from the central bank, and specifically statutory advances; net IMF financing (disbursements net of reimbursements), refinancing of guaranteed bonds, and treasury paper held by the central bank; and (ii) financing from commercial banks, and specifically direct advances and loans, securities, and bills and bonds of the treasury held by local banks. Net bank credit to the government is calculated based on the data provided by the BEAC. These data should be subject to monthly reconciliations between the treasury and the BEAC.
- Net nonbank financing of the government includes (i) the change in the outstanding balance of government securities (treasury bills and bonds) issued in CFA francs on the regional financial market and not held by the local banking system; (ii) the change in the outstanding balance of structured nonbank domestic debt (defined in paragraph 16); (iii) privatization revenue (defined in paragraph 8); (iv) the change in the balance of correspondent bank accounts (including Account 42) and consignment accounts; and (v) the change in the balance of outstanding claims on the government abandoned by the private sector. The government's net nonbank financing is calculated by the public treasury.

18. Domestic payment arrears are the sum (i) of *payment arrears on expenditure and (ii) payment arrears on domestic debt:*

- **Payment arrears on expenditure** are defined as "balances payable" for which the payment lag exceeds the regulatory period of 90 days. **Balances payable** reflect the government's unpaid obligations. They are defined as expenditure items for which the normal expenditure execution procedures (commitment, validation, and authorization) has been followed until they were undertaken by the public treasury, but that are still pending payment. These obligations also include invoices due and not paid with public and private enterprises, but they exclude domestic financial debt service (principal and interest). Balances payable under 90 days represent **payments in progress.** Information used to determine the amount of balances payable is provided in Table 3 of the management indicators (TABORD). The treasury will monitor this information on a monthly basis to identify expenditure arrears in the stock of balances payable.

- **Payment arrears on domestic debt** are defined as the difference between the amount due under a domestic debt arrangement (defined in paragraph 11) or the reimbursement of treasury securities, bills, or bonds matured and the amount effectively paid after the payment deadline indicated in the agreement or after the maturity date of the treasury securities, bills, or bonds.

19. External payment arrears are defined as external debt obligations of the government that have not been paid when due in accordance with the relevant contractual terms (taking into account any contractual grace periods). This PC excludes arrears on external financial obligations of the government subject to rescheduling.

I. QUANTITATIVE PROGRAM OBJECTIVES

20. The quantitative objectives (QO) listed below are as specified in Table 1 of the MEFP. Unless otherwise noted, all quantitative objectives will be assessed on a cumulative basis from the beginning of the calendar year to which the quantitative objectives apply. The quantitative objectives and details for their assessment are provided below.

A. Non-Oil Primary Balance

Performance Criteria

21. A floor for the non-oil primary balance (commitment basis) is defined as a quantitative objective in Table 1 of the MEFP. The non-oil primary balance is defined as the difference between the primary balance defined in paragraph 12 and oil revenue defined in paragraph 6.

22. To ensure consistency among data from different sources used to prepare the government financial operations table (TOFE), and particularly between the data on budget operations reported by the treasury and data on financing reported by the BEAC, the CAA, and the treasury, the cumulative level of miscellaneous expenditure not otherwise classified (including errors and omissions in the TOFE) for a given month should not exceed 5 percent of the cumulative expenditure for that month, in absolute value. Should this limit be exceeded, a comprehensive reconciliation exercise for all TOFE source data will be undertaken in consultation with IMF staff.

Cutoff Dates for Reporting Information

23. The detailed data on government financial operations indicating the primary balance, oil revenue, and the level of miscellaneous expenditure not otherwise classified will be transmitted on a monthly basis within six weeks from the end of the month.

B. Net Domestic Financing of the Government Excluding Net Financing from the IMF

Performance Criteria

24. A ceiling on net domestic financing of the government excluding net financing from the IMF is defined as a quantitative objective in Table 1 of the MEFP. For program requirements, net domestic financing of the government excluding net IMF financing will be net domestic financing of the government defined in paragraph 17, not including net IMF financing.

Adjustment

25. The ceiling on net domestic financing of the government excluding net financing from the IMF will be adjusted if the disbursements in connection with external budget support net of external debt service and the payment of external arrears are below the programmed levels.

26. At the end of each quarter, if disbursements of external budget support are below (above) the programmed amounts, the relevant quarterly ceilings will be adjusted upward (downward) commensurately, within the limit of CFAF 120 billion starting from 2017 Q4 onwards. This ceiling may be revised to reflect the rate of budget aid disbursements during the year.

Cutoff Dates for Reporting Information

27. The detailed data on net domestic financing of the government (bank and nonbank) and the status of budget support disbursements, reimbursement of external debt service, and the status of external arrears (to be monitored continuously) will be submitted on a monthly basis within six weeks after the end of the month.

C. Disbursement of Non-Concessional External Debt

Performance Criteria

28. A ceiling on disbursements of non-concessional external debt is defined as a quantitative objective in Table 1 of the MEFP. This performance criterion is applicable to contractual debt for projects' financing. This performance criterion is based on external debt as defined in paragraph 14 and uses the concept of concessionality defined in paragraph 15 of this Technical Memorandum.

Cutoff Dates for Reporting Information

29. Detailed information on disbursements of external debts contracted by the government must be reported within six weeks after the end of the month, indicating the date the loans were signed and making the distinction between concessional and non-concessional loans.

D. Net Borrowing of the Central Government from the Central Bank

Performance Criteria

30. A ceiling on net claims of the central government from the BEAC is defined as a quantitative objective in Table 1 of the MEFP. This criterion is defined as the difference between, on the one hand, the Central Bank's claims on the government, excluding IMF financing, in particular: unpaid balances of the consolidated statutory advances, refinancing of guaranteed bonds, and treasury securities held by the Central bank, and on the other hand the cash balances and total deposits of the Treasury with the Central Bank including the balance of the special account of the unused statutory advances. The balance of this special account will be regularly monitored in order to maintain the targets defined in Table 1 of the MEFP.

31. The ceiling on net borrowing of the central government from the BEAC will be adjusted if the disbursements in connection with external budget support are below the programmed levels.

32. At the end of each quarter, if disbursements of external budget are below (above) the programmed amounts, the relevant quarterly ceilings will be adjusted upward (downward) commensurately, within the limit of CFAF 120 billion starting from 2017 Q4 onwards. This ceiling may be revised to reflect the rate of budget aid disbursements during the year.

Cutoff Dates for Reporting Information

33. The detailed information on all financing from the BEAC to the government and the balance of the special account of the unused statutory advances must be reported within six weeks after the end of the month.

E. Non-Accumulation of External Payment Arrears

Performance Criteria

34. A ceiling of zero on the accumulation of external payment arrears is defined as a continuous quantitative objective in Table 1 of the MEFP. This performance criterion applies to the accumulation of new external arrears as defined in paragraph 19 of this Memorandum. In connection with the program, the government undertakes not to accumulate any new external payment arrears on its debt, with the exception of arrears subject to rescheduling. The government's non-accumulation of arrears is a performance criterion to be observed on a continuous basis. This PC would be measured on a cumulative basis from the time of approval of the program.

Cutoff Dates for Reporting Information

35. The data on balances, accumulation, and reimbursement of external arrears will be reported within six weeks after the end of each month. This PC is monitored continuously by the authorities and any occurrence of new external arrears should be immediately report to the Fund.

F. New Non-Concessional External Debt Contracted or Guaranteed by the Government

Performance Criteria

36. A ceiling on new non-concessional external debt contracted or guaranteed by the government is defined as a continuous quantitative objective in Table 1 of the MEFP. The government undertakes on an ongoing basis not to contract or to guarantee any non-concessional external debt above the ceiling indicated in Table 1 of the MEFP. This performance criterion is applicable to external debt as defined in paragraph 14 of this Memorandum. It uses the concept of concessionality as defined in paragraph 15 of this Memorandum. This performance criterion is also applicable to any debt guaranteed by the government that constitutes a contingent liability as defined in paragraphs 14 and 15 of this Memorandum. Moreover, this criterion is applicable to public enterprises defined in paragraph 4 that receive transfers from the government, to municipalities, and other entities of the public sector (including agencies of general government and professional, scientific and technical organizations). However, this performance criterion is not applicable to borrowing arranged in CFA francs, treasury bills and bonds issued in CFA francs on the CEMAC regional market, regular short-term loans from suppliers, regular import credits, or to loans from the IMF, and debt relief obtained in the form of rescheduling or refinancing. This commitment is a performance criterion to be met on an ongoing basis. The ceiling on new non-concessional external debt set out in Table 1 of the MEFP will apply to new debt contracted or guaranteed per calendar year and not on a cumulative basis from the date of program approval.

Adjustment

37. The ceiling on new non-concessional external debt contracted or guaranteed by the government will be adjusted upwards to accommodate the non-concessional budget support from the World Bank, the AFDB, and France for debt management operations. For 2019, the projected amount of non-concessional budget support and the maximum amount of the adjustor will be CFAF 275 billion. The debt management operations are those that improve the overall profile of public debt (as per para 35 of the guidance note on debt limits SM/15/125).

Cutoff Dates for Reporting Information

38. The monthly situation of on all loans (conditions and creditors) contracted by the government must be reported within six weeks after the end of the month. The same obligation is applicable to guarantees issued by the government. This PC is monitored continuously by the authorities and any contracting or guaranteeing of debt should be immediately reported to the Fund.

II. OTHER INDICATIVE QUANTITAVE OBJECTIVES

A. Non-Oil Revenue

39. A floor on non-oil revenue as defined in paragraph 7 is defined as an indicative objective in Table 1 of the MEFP.

B. Net Accumulations of Domestic Payment Arrears

40. A ceiling on net accumulations of domestic payment arrears is defined as an indicative objective in Table 1 of the MEFP. Domestic payment arrears are defined in paragraph 18.

C. Social Expenditure

41. A floor on social expenditure as defined in paragraph 11 is defined as an indicative objective in Table 1 of the MEFP. This expenditure is monitored regularly in connection with program implementation.

Cutoff Dates for Reporting Information

42. The data on the government's financial position as presented in the government financial operations table, the detailed listing of revenue highlighting oil revenue, domestic payment arrears, and the status of social expenditure execution must be reported within six weeks after the end of the month.

D. Share of Exceptional Expenditures on Total Authorized Expenditures Excluding Debt

43. A ceiling on the share of exceptional expenditures on total authorized expenditures excluding debt is defined as an indicative target in Table 1 of the MEFP. This target will be calculated based on the ratio between exceptional expenditures (expenditures excluding debt service paid without prior authorization which include cash advances, provisional budget commitments, and advance funds) and the total authorized expenditures excluding debt service that are domestically financed (including salaries). Exceptional expenditures will be monitored regularly as part of the program implementation.

Cutoff Dates for Reporting Information

44. Monthly accounting statements showing the amount of cash advances, provisional budget commitments, and advance funds must be reported to IMF staff within 3 weeks of the end of each month. The authorization spending presented in the table M1 of the TABORD will be used to compute this ratio.

III. DATA SUBMISSION REQUIREMENTS

45. The quantitative data on the government's quantitative and indicative objectives will be reported to IMF staff with the periodicity described in Table 1 below. Moreover, all data revisions will be reported immediately to IMF staff. The authorities undertake to report to IMF staff any information or data not specifically addressed in this TMU, but required for program implementation, and to keep IMF staff abreast of the situation in terms of achieving the program objectives.

Table 1. Cameroon: Summary of Data Reporting Requirements

Information	Responsible institution	Frequency of the data	Reporting Lag
Government finances			
The government financial operations table (TOFE) and customary annex tables; (data on execution of investments financed with external grants and loans must be available in a timely manner so that the quantitative objectives of the program can be determined as scheduled. If information on physical execution of externally financed projects is not available, the information on requests to withdraw funds from the donors will be used).	Ministry of Finance (MINFI)	Monthly	6 weeks
Domestic budget financing (net bank credit to the government, stock of treasury bills and bonds pending reimbursement, domestic debt reimbursement status, privatization revenue, and abandoned claims)	MINFI/BEAC	Monthly	6 weeks
Implementation status of social expenditure defined in Paragraph 11	MINFI	Monthly	6 weeks
Status of balances payable for the current fiscal year (orders unpaid) making the distinction between those over 90 days and those under 90 days	MINFI	Monthly	6 weeks
Domestic debt reimbursement status	MINFI/BEAC	Monthly	6 weeks
Statistics on external debt contracted and guaranteed (detailed listing of external debt service matured/paid, list of new loans specifying the financial conditions, loans guaranteed and external arrears, and list of arrangements in the process of negotiation)	MINFI/CAA	Monthly	6 weeks/ The contracting or guaranteeing of external debt, and the occurrence of external arrears should be immediately reported
A quarterly report on the consistency of (i) monetary statistics reflecting the net treasury position with data from the TOFE on net domestic financing from the banking system and (ii) data on external debt produced by the CAA and on net external financing from the TOFE	MINFI/BEAC	Quarterly	8 weeks

Table 1. Cameroon: Summary of Data Reporting Requirements (continued)

Information	Responsible institution	Frequency of the data	Reporting Lag
Data on implementation of the public investment program, including a detailed listing of financing sources	MINFI/ Ministry of Economy, Planning and Regional Development (MINEPAT)/CAA	Quarterly	6 weeks
Accounting statements showing the amount of cash advances, provisional budget commitments, and advance funds	MINFI	Monthly	3 weeks
Monthly report on the validation of the TABORD and the balance of accounts based on a contradictory checking by the different administrations	MINFI	Monthly	6 weeks
Prices, consumption, and taxation of petroleum products, including: (i) the current price structure for the month in question; (ii) the detailed calculation of the price structure based on the free on board price (or the ex-refinery price from SONARA) to obtain the retail price; (iii) volumes purchased and distributed for consumption by the petroleum distributor (SONARA), with the distinction between retail sales and sales to industries; and (iv) a breakdown of tax revenue on petroleum products—customs duty, excise tax on petroleum products (TSPP), and value-added tax (VAT)—and unpaid subsidies	MINFI	Monthly	4 weeks
Publish the petroleum product price structure	MINFI	Monthly	1st week of the current month
Monthly statement of the correspondent accounts (including Account 42) and consignment deposits with the treasury broken down into major categories (administrative services, public enterprises, public administration enterprises, international organizations, private depositors, and other)	MINFI	Monthly	6 weeks
Provide revenue forecasts for the Directorate General of Taxes; Directorate General of Customs; and Directorate General of Treasury, Financial, and Monetary Cooperation by type of tax on an annual basis and on a monthly basis, and outturn as compared with forecasts	DGI, DGD, DGTCFM	Monthly	6 weeks

Table 1. Cameroon: Summary of Data Reporting Requirements (continued)			
Information	**Responsible institution**	**Frequency of the data**	**Reporting Lag**
VAT reimbursement balance (requests for reimbursement, payments made, and status of the VAT reimbursement account)	MINFI/DGI	Monthly	6 weeks
DGI/DGD collaborative joint quarterly reports identifying, inter alia, results in terms of the identification of fraud and additional revenue collected	DGI/DGD	Quarterly	6 weeks
Status of the SNH, including volumes exported, prices, exchange rates, operating costs, spending advances, commitments to the government, and the balance transferable to the Treasury	MINFI	Monthly	6 weeks
Include the total petroleum receipts of national oil company SNH and direct interventions in the monthly table of government financial operations (TOFE)	MINFI	Monthly	6 weeks
Budgetary and accounting statement showing the payment of utility bills to utility companies (ENEO, CAMWATER, CAMTEL, SONARA)	MINFI	Monthly	3 weeks
The situation of payments of subsidies and tax liabilities of public enterprises	MINFI	Quarterly	6 weeks
Publish quarterly budget execution reports.	MINFI	Quarterly	6 weeks
Monetary sector			
Consolidated balance sheet of monetary institutions	BEAC	Monthly	6 weeks
Provisional data on the comprehensive monetary survey	BEAC	Monthly	6 weeks
Final data on the comprehensive monetary survey	BEAC	Monthly	10 weeks
Government net position	BEAC	Monthly	6 weeks
The balance of the special account of the unused statutory advances	BEAC	Monthly	6 weeks
Intervention rate and borrowing and lending interest rates	BEAC	Monthly	6 weeks

Table 1. Cameroon: Summary of Data Reporting Requirements (concluded)			
Information	**Responsible institution**	**Frequency of the data**	**Reporting Lag**
Any revision of the balance of payments data (including services, private transfers, official transfers, and capital transactions)	BEAC/MINFI	On revision	2 weeks
Real sector			
Provisional national accounts and any revision of the national accounts	INS	Annual	7 months after year-end
Quarterly national accounts	INS	Quarterly	3 months
Disaggregated consumer price indices (Yaoundé and Douala)	INS	Monthly	2 weeks
Quarterly inflation note	INS	Quarterly	3 months
Structural reforms and other data			
Any official report or study devoted to Cameroon's economy, from its date of publication or finalization	MINEPAT		2 weeks
Any decision, decree, law, order, or circular having economic or financial implications, from its publication date or effective date.	MINFI/MINEPAT		2 weeks