Letter of Intent

June 17, 2019

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 the three-year arrangement under the International Monetary Fund's Extended Credit Facility (ECF) for the period 2017-20 under difficult economic and security conditions.

Cameroon's performance under the ECF remains broadly satisfactory. All but two quantitative criteria have been observed, and all but one indicative targets have also been met. Specifically, the floor for the non-oil primary balance was met despite the acceleration of externally financed spending beyond the envelopes in the 2018 revised budget law, as non-oil revenues also largely exceeded projections. However, the ceiling on net government financing from the BEAC (excluding IMF financing) was not met, primarily owing to sizeable end-year payments for Treasury correspondents, which also led to a significant increase in expenditure float. The continuous criterion on the non-accumulation of external arrears was not met. The debt service payment in the amount of CFAF 52 billion owed to China in January 2019 was delayed to April as the government planned to include this payment in the discussions under way with China on the restructuring of the debt. Almost half of the indicative targets for March 2019 were met, as performance was influenced by end-2018 outturn and weak economic activity in the first quarter. All of the indicative benchmarks were met, with the exception of the ceiling on Société nationale des hydrocarbures (SNH) direct interventions, which was exceeded owing to security-related emergencies. The implementation of the structural reforms included in the program has continued and eight of the eleven structural benchmarks for December 2018 to May 2019 were met.

The government commits to successfully implementing the program for the remainder of the year and respecting the fiscal consolidation objectives while rebuilding its deposits at the BEAC. To this end, prior actions have been implemented to correct the deviations observed in 2018 in regard to the quantitative target on the net accumulation of government deposits at the BEAC. Structural reforms aimed at enhancing transparency and fiscal discipline are also planned. Based on the 2018 outturn and the continued acceleration in the implementation of externally financed projects already under way, a supplementary budget to revise the 2019 budget law in accordance with the program objectives and to take better account of the government's current priorities has been prepared and submitted to Parliament for ratification. This supplementary budget includes total revenues that are slightly above the initial projections. The favorable oil revenue outlook is explained by the expected increase in oil production. With regard to non-oil revenue, the implementation of administrative measures, including the strengthening of the tax collection and auditing functions, as well as the implementation of the measures included in the 2019 budget law, should allow to slightly exceed current targets. Combined with a reallocation of current expenditure and domestically financed capital expenditure, these revenue margins should allow to increase externally financed investments for priority projects currently under way. With a larger proportion of external financing, it will be possible to continue to implement the plan to clear domestic arrears and to reduce the balances of correspondent accounts, while increasing the Treasury's deposits at the BEAC. To enhance fiscal transparency and discipline, a budget execution report identifying the discrepancies between execution and the initial budget law has been published, and a decree setting out the budget calendar and reducing the complementary period to one month has been signed.

The government is requesting waivers for the nonobservance of the quantitative performance criterion at end-December 2018 on the ceiling on net central government financing from the BEAC, excluding International Monetary Fund (IMF) disbursements, given the strong corrective measures taken to rebuild fiscal buffers, and for the nonobservance of the continuous criterion on the accumulation of external arrears, as these arrears have been cleared. The government is also requesting the modification of the quantitative end-June performance criteria on (i) the ceiling on non-concessional external debt disbursements to allow for the execution of ongoing priority projects and the disbursement of the balance of funds requested for projects in 2018; (ii) the ceiling on net government financing by the BEAC; (iii) the ceiling on net government domestic financing; and (iv) the floor on the non-oil primary deficit, as indicated in Table 1 of the MEFP, as well as the modification of the definition of the continuous PC on non-concessional borrowing and of the IT on the net accumulation of domestic payment arrears. Finally, the Government is requesting the modification of some end-June and end-September indicative targets, as indicated in Table 1 of the MEFP.

The government undertakes to respect the reprofiled program quantitative performance criteria and indicative targets for end-June, as well as the performance criteria and indicative targets for December 2019. Close monitoring of budget execution, strict control over to exceptional spending procedures in the form of provisional commitments and cash advances, as well as the identification of contingent revenue and expenditure measures will make it possible to meet the revised fiscal targets for 2019. The government is also committed to make up for the delay in the implementation of the structural benchmarks and ensure that all measures planned for the remainder of the year are implemented.

The government will continue to implement policies that are consistent with maintaining regional external stability, which requires the rebuilding of BEAC foreign reserves. To this end, the government supports the efforts of the BEAC and COBAC to improve compliance with the new foreign exchange regulations. It will ensure compliance with the requirement to repatriate export proceeds including oil revenues.

The Memorandum of Economic and Financial Policies (MEFP) attached to this Letter of Intent describes the economic and financial situation in 2018-19, sets out the economic and financial policies that the government intends to implement during the remainder of 2019, and establishes the quantitative performance criteria and indicative targets, as well as structural benchmarks and structural reforms through end-December 2019.

Bearing in mind the program achievements to date and the commitments set out in the MEFP, the government requests the conclusion of the fourth review under the ECF arrangement and the disbursement of SDR 55.2 million.

The government is convinced that the policies set out in the MEFP will enable it to achieve the program objectives and commits to take any additional measures to that end. The Cameroonian authorities will consult with the IMF on any such additional measures and in advance of any revisions to the policies included in the MEFP, in accordance with the IMF's policies on such consultations. To facilitate program monitoring and evaluation, the government undertakes to regularly report all required information to the IMF by the established deadlines 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 TMU, and the IMF Staff Report on this program.

Sincerely yours,

/s/

Joseph Dion Ngute
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

June 2019

I. INTRODUCTION

1. The Government of Cameroon continues to implement its economic and financial program supported by the International Monetary Fund (IMF) under the Extended Credit Facility (ECF) under difficult socioeconomic circumstances. Five of the six performance criteria at end-December 2018 were met, as were four of the five indicative targets. Moreover, five of the eleven (11) structural benchmarks for end-December to end May 2018 were met and three (3) were implemented with a delay. The difficult security context in Cameroon continues to weigh significantly on the country's socioeconomic situation. However, the government remains firmly committed to the successful implementation of the program for the remainder of the year and will take all necessary measures to honor its commitments. Specifically, it will pursue its public financial management reforms by effectively implementing the CEMAC directives, continue to expand the non-oil revenue base, improve the control and efficiency of public capital expenditure, enhance the stability of the banking sector, reduce the obstacles to the development of the private sector, and promote the diversification of the economy, while maintaining debt sustainability.

II. RECENT ECONOMIC DEVELOPMENTS

2. Economic growth rebounded in 2018, primarily owing to the somewhat smaller drop in oil production. After decelerating to 3.5 percent in 2017, the economy grew by 4 percent in 2018 (as against the 3.8 percent projected at the end of the third review). This recovery was characterized primarily by a less pronounced contraction of the oil and gas sector, supported by the entry into operation of the new natural gas offshore platform. Growth in the non-oil sector, down from 2017 levels, remains strong at 4.4 percent, driven by the implementation of projects for the Africa Cup of Nations (CAN), the production of timber and processed wood products, and the services sector, particularly banks and financial institutions. Average inflation remains low, with strong regional disparities, but is trending upward (rising from 0.6 percent in 2017 to 1.1 percent in 2018 and 1.4 percent in March 2019) owing primarily to higher food prices.

3. Fiscal consolidation has continued despite higher than anticipated capital expenditures. Preliminary end-2018 data indicate that the overall fiscal balance declined to 2.5 percent of GDP (4.9 percent of GDP in 2017), as increased mobilization of non-oil revenues (0.7 percent of GDP) covered the higher than projected capital expenditures (approximately 1 percent of GDP). The overruns of budgetary allocations resulted in an accumulation of expenditures to be regularized at the end of the complementary period for 2018. The non-oil primary deficit improved by 2 percent of GDP compared to 2017, reaching 3.9 percent of GDP. At

3.0 percent, the cash basis deficit was below projections owing to a larger accumulation of expenditure float of 0.6 percent of GDP. End-March budget execution indicates weak non-oil revenue mobilization as well as current and capital spending below quarterly projections. The overall budget balance thus shows a 0.7 percent of GDP surplus, compared with a projected 0.3 percent of GDP deficit.

4. The current account deficit deteriorated to 3.7 percent of GDP in 2018 (as against 2.7 percent of GDP in 2017), mainly due to larger imports of mineral products owing to the production shutdown at the refinery (SONARA), the implementation of CAN projects, and weak agricultural exports resulting in part from unrest in the production zones in the English-speaking regions. However, repatriations of banks' foreign exchange assets in response to the stricter application of the foreign exchange regulations led to the accumulation of net foreign assets (NFA) at the BEAC above the third review projections of CFAF 158 billion at end-2018. BEAC NFAs continued to increase (by CFAF 48 billion) in the first quarter of 2019 and banks' external assets to slightly declined, resulting in an increase in the total NFAs of CFAF 35 billion.

5. The growth of the monetary aggregates accelerated as a result of the accumulation of reserves. On a year-on-year basis, growth of broad money and deposits almost doubled to a little under 10 percent at end-December 2018. Credit to the economy also grew, to 7.2 percent, of which 4.6 percent in credit to the private sector and 69 percent in credit to public enterprises at end-December. However, during the first quarter of 2019, broad money and credit declined compared to end-2018 due to the sluggish economic activity. Although budgetary support was disbursed as planned, net government deposits at the BEAC declined by 0.5 percent of GDP at end-December 2018 compared to a projected net accumulation of 0.4 percent of GDP, primarily owing to large payments in correspondent accounts. Bank reserves with the central bank remain high, representing 24 percent of deposits at end-March 2019, but the quality of their portfolio has deteriorated, with the level of nonperforming loans increasing from 13 percent of total credit at end-2017 to 15.3 percent at end-2018 and 16.2 percent at end-February 2019.

III. IMPLEMENTATION OF THE ECONOMIC AND FINANCIAL PROGRAM

6. All but two quantitative performance criteria were observed (Table 1), as well as some indicative targets at end-March 2019. Based on end-2018 data and preliminary end-March 2019 data:

- The performance criterion on the non-oil primary balance was met by a margin of 0.15 percent of GDP, as the revenue surplus offset higher expenditures than projected in the revised 2018 budget law;
- The ceiling on net government financing by the BEAC (excluding IMF financing) was exceeded by 0.5 percent of GDP, owing to large payments to Treasury correspondents;
- The ceiling on net domestic financing (excluding IMF financing) was met by a wide margin (1.3 percent of GDP), as the level of external financing was higher than programmed;

- The performance criteria on the debt were observed by significant margins, particularly the ceilings on disbursements of non-concessional loans (a margin of 0.5 percent of GDP) and the contracting of new non-concessional loans (a margin of 0.4 percent of GDP). However, the continuous performance criterion on the non-accumulation of external arrears was missed between January and April 2019. Owing to the negotiations under way in the context of the restructuring of the debt to China, a payment of CFAF 52 billion due in January 2019, which the government planned to include in the restructuring, was delayed. The payment was made on April 17, 2019.
- All of the indicative targets for end-December 2018 were met with the exception of the indicative ceiling on Société Nationale des Hydrocarbures (SNH) direct interventions, which was exceeded by 0.2 percent of GDP owing to the persistent security challenges (Table 1).
- Almost half of the end-March 2019 indicative targets have been met, namely the non-oil primary deficit, the government net domestic financing (excluding IMF), the non-concessional loan disbursements, and the ceiling on SNH's direct interventions.

7. Implementation of the program structural benchmarks continues to progress despite delays in some reforms, particularly those related to the financial sector. Five of the eleven structural benchmarks for end-March 2019 were met by the deadlines and three benchmarks were implemented with a delay (Table 2). The benchmarks concerning fiscal policy and public finance management were met, as were two measures concerning financial stability and sustained growth led by the private sector, i.e., the quarterly payment of the main utility bills by the government and the computerization of the movable collateral registry. However, some structural benchmarks scheduled for the fourth review were not met on time, i.e.:

- *Provide training in bank dispute resolution for commercial court judges in the main business centers (due by December 2018).* The procedure for the selection of judges to be trained and experts to lead the seminars took longer than expected. The training, which was officially launched on December 28, 2018, began on January 7, 2019 and was completed on March 29, 2019.

- *Allow competitive bidding for LPG purchases, validate the required LPG fuel compensation by committee, and regularly transfer the cash surpluses of the Hydrocarbon Price Stabilization Fund (CSPH) to the Treasury (due by January 2019)* Competitive bidding has taken place since November 2018 and the validation committee, composed of the Ministry of Finance (Technical Rehabilitation Committee—CTR) and the Technical Monitoring Committee (CTS), was set up in April 2019. The transfer of CSPH surpluses to the Treasury on the basis of the end-December 2018 financial statements will be approved in June 2019 by the Board of Directors and will be effective by end-August 2019.

- *Introduce a mechanism to identify the nature of the SNH direct interventions and reconcile them to ensure their monthly regularization based on the type of expenditure, and supply a table of the direct interventions by type of expenditure to IMF staff (due by January 2019).* The Ministry of Finance/SNH working group, which is responsible for the reconciliation of the oil royalty data, meets monthly and the detailed data by type are validated and transmitted to the Treasury to be recorded as expenditure to be regularized pending their regularization in the budget. A table detailing the types of expenditures involved in direct interventions was transmitted to IMF staff on May 1, 2019.

- *Prepare a disbursement plan for committed but undisbursed loans (soldes engagés non-décaissés—SENDs) for 2019-20 following discussions with the development partners (due by March 2019)*. The preparation of the SENDs disbursement plan required more time than anticipated owing to the methodological approach adopted. A report listing all SENDs was produced in early 2018 and was used for an analysis of problematic SENDs, with proposed solutions indicated in each case. Finally, the second conference for the scheduling of disbursements was organized in April 2019 with all donors, contracting authorities and project coordinators to collect data for better tracking of the SENDs. The SENDs disbursement plan for 2019–20 consistent with the macro-fiscal framework was communicated to IMF staff on May 24.

- Determine the business model for the SME bank (scheduled in March 2019). Implementation of this benchmark, planned for end-March 2019, requires a prior study on SME financing needs, the report on which is being finalized in May. The business model will be determined by September 2019.

- Finalize the recording of movable collateral in the computerized database (scheduled for March 2019). The computerized database was officially launched on May 23. The recording is ongoing and will be finalized by July 2019.

IV. ECONOMIC AND FINANCIAL PROGRAM FOR 2019 AND THE MEDIUM TERM

A. Macroeconomic Framework

8. The economic growth outlook remains positive. Growth should improve slightly to 4.2 percent in 2019, driven essentially by an increase in oil production. Completion of the construction projects related to the preparations for the 2021 Africa Cup of Nations, the completion of major infrastructure projects (particularly road and energy projects), and the integration of the Cameroonian economy into global value chains including through further processing of local raw materials, should support a gradual increase in growth in the medium term, which could stabilize at between 5 and 5.5 percent.

9. Adherence to the fiscal targets for 2019 and beyond is essential to restore the major macroeconomic balances in Cameroon and the subregion. Fiscal consolidation and increased efforts to ensure the repatriation of export proceeds should underpin the improvement 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 2,532 billion in 2024, as against CFAF 1,706 billion in 2016. These efforts are also needed to stabilize and reverse the evolution of the public debt, which increased more rapidly than anticipated in 2018 owing to the acceleration of project loan disbursements, and to maintain debt service at sustainable levels. Any slippage could lead to an unsustainable public debt trajectory owing to the rapid accumulation of the stock of non-concessional debt and an export base that remains limited and little-diversified.

10. Domestic and external risks could affect the outlook. External risks comprise primarily uncertainty related to international trade tensions, slower growth in China, the persistent volatility of commodity prices, and delays in the regional adjustment of the CEMAC, which could constrain growth. Domestically, a further deterioration in the sociopolitical climate before the upcoming legislative and municipal elections could undermine the fiscal consolidation efforts under way and the implementation of the reforms. Nevertheless, the non-oil sector remains strong, which could help to mitigate some negative shocks.

B. Fiscal Policy

Fiscal Policy Objectives for the Remainder of 2019

11. Given the 2018 fiscal outturn and the preliminary results for the first quarter of the 2019 budget, the objectives laid out in the initial 2019 budget law have been revised. The 2019 budget law is broadly aligned with the program objectives as it calls for a deficit of 2.0 percent of GDP. However, given the better performance of non-oil revenues in 2018 and the acceleration of capital expenditures, which is expected to continue in 2019, the composition of revenue and expenditure in the 2019 budget law has been revised.

12. In this context, a draft supplementary budget has been prepared and submitted to Parliament for ratification in June 2019. This supplementary budget aims at maintaining the fiscal deficit at 2 percent of GDP. However, it will include slightly higher revenue than projected in the initial budget law, given the expected increase in oil revenue (by 0.3 percent of GDP compared to the initial projections) and slightly higher non-oil revenues owing to the expanded base in 2018 as well as the impact of the measures in the 2019 budget law. The increase in non-oil revenues is expected to remain modest owing to (i) the delay in the implementation of new measures; (ii) the lower than projected mobilization of tax and customs revenues at the end of the first quarter as a result, in part, of the sociopolitical and security crisis in the northwestern and southwestern regions; and (iii) the significant decline in SONARA declarations and payments to DGD and DGI at the end of the first quarter, a trend that could continue for the rest of the fiscal year. On the expenditure side, current expenditures include sufficient provisions to allow the government to continue to deal with the security and humanitarian situation, ensure adequate financing of the elections, and respond to the need for subsidies. Capital expenditure is maintained at around 6.6 percent of GDP, but with an increase in externally-financed expenditure of 0.7 percent of GDP so as not to interfere with the successful completion of ongoing priority projects, based on a detailed disbursement plan. With the larger proportion of externally-financed expenditure in the deficit (Treasury payment order basis), it will be possible to continue to implement the plan for clearing domestic arrears and reducing the balances of correspondent accounts while increasing the deposits of the Treasury at the BEAC.

13. To meet its cash flow needs, the government will continue to issue T-bills and T-bonds in accordance with the authorization in the 2019 budget law. Owing to strong bank liquidity, it was possible to exceed the projections for the issuance of fungible Treasury bills (bons du trésor assimilables—BTAs) in the first quarter of 2019. BTAs totaling CFAF 116.77 billion were issued against an initial projection of CFAF 45 billion, revised to CFAF 122 billion given the market liquidity conditions. The 2019 initial budget law authorizations of CFAF 260 billion, including the issuance of CFAF 150 billion in fungible Treasury bonds (obligations du Trésor assimilables—OTAs) planned for the second and third quarters of 2019 could be fully realized and help to revitalize the securities market.

14. Urgent measures to enhance control of budget execution are needed to ensure that the revised fiscal targets for 2019 are met:

- To ensure transparency in budget execution, a 2018 budget execution report clearly identifying the overruns of certain budgetary allocations and the reasons for these overruns, including monitoring of the use of exceptional procedures, has been published in early June, 2019.
- Despite the production of budget execution circulars, which regulate the use of exceptional expenditure procedures in the form of provisional commitments, treasury advances and cash advances, such procedures continue to jeopardize the transparency of budget execution and complicate budget regularization operations during the complementary period. This constitutes a major risk for the respect of the program objectives. The level of expenditures requiring regularization at the end of the complementary period remains high (1.1 percent of GDP), with significant overruns of the approved budgetary appropriations and the persistence of budget execution operations well beyond the end of the complementary period. The government will make every effort to apply the provisions of the 2019 budget execution circular, which calls for the elimination of provisional commitments and cash advances, which will be replaced by "régies d'avances". Specifically, the total volume of expenditure involving exceptional procedures will be limited to 5 percent of the total domestically financed expenditure envelope (excluding debt service) in 2019.
- To improve the predictability and transparency of budget execution, the number of direct interventions will be limited to a maximum of CFAF 140 billion in 2019. The supplementary budget law includes budget provisions for a total of CFAF 140 billion to avoid crowding out other expenditures.
- Expenditure to be regularized, including direct interventions by the SNH, will be adjusted monthly to avoid the accumulation of significant expenditure balances pending adjustment at the end of the year. Monthly accounting statements will be prepared and attached to the TABORD, indicating the amount of the cash advances and régies d'avances. Expenditure commitments will be effectively closed by end-November 2019 and payment orders by end-December 2019, and the complementary period will be permanently reduced to one month (end-January 2020 for fiscal year 2019).

15. The government undertakes to make the necessary trade-offs and identify and quantify contingent measures to contain the downside risks for revenue and maintain executed expenditure within the limit of the total budgetary appropriations in the revised 2019 budget law.

- On the revenue side, the government commits to improving the collection of tax arrears, particularly the those of public enterprises. The government will also take measures to clear cross debts, particularly by means of balancing operations. The DGI and DDD will continue to implement measures to increase the tax base by strengthening audits of enterprises at risk of underreporting on their tax returns.
- The government will resolutely continue its efforts to reduce government goods and services costs based on the Prime Minister's 2017 circular. The reduction of mission expenses, commissions, the strict application of the reference price list and the limitation of exceptional procedures should yield fiscal margins that could be redeployed to priority expenditures. In the area of expenditure management, efforts will be made to control the rate of budgetary commitment of expenditures while ensuring the alignment of these commitments with revenue flows to consolidate the primary deficit reduction path.

Medium-Term Fiscal Policy Objectives

16. The medium-term budget framework will remain in line with the program objectives, with a deficit target that meets the CEMAC convergence criterion. The medium-term budget framework remains focused on a gradual reduction of the overall fiscal deficit, which is stabilizing at around 1.5 percent of GDP, allowing for respect of the CEMAC convergence criterion (reference balance) by 2020. This fiscal deficit reduction will involve a steady improvement in non-oil revenue mobilization (particularly by continuing to reduce exemptions) and greater efficiency and control of public expenditure. A gradual reduction in non-priority expenditure while protecting social spending and better prioritization of capital expenditure will allow investment projects to continue.

17. Fiscal consolidation will continue, while protecting priority social spending. For 2019-20, in the context of our interim growth and employment strategy, the government will take decisive measures to further reduce poverty and inequality. Specifically, the safety net program will be scaled up, with resources totaling at least CFAF 4.5 billion budgeted and made available to project managers, increasing to CFAF 9 billion in 2020. The government will continue to increase expenditure on health and education and improve the quality of such spending, particularly by ensuring the release of sufficient resources for the performance-based health expenditure management program. The floor for social spending in 2020 will be gradually increased to 3.7 percent of GDP.

C. Structural Fiscal Reforms

18. In the area of fiscal management, implementation of the measures to enhance budget execution control will continue.

- The government undertakes to accelerate the implementation of the Law on the Code for Transparency and Good Governance in Public Finance Management in Cameroon and the Law on the Financial Regime for the Government and Other Public Entities for their effective implementation in the 2020 fiscal year. To this end, the government has signed the decree on the budget calendar, which reduces the complementary period to one month, on May 31, 2019 and will finalize the other implementing decrees for the transposition of the four other CEMAC directives into national law by end-June 2019.
- As part of its general fiscal reforms, the government plans to start implementation of the activities included in the operational reform plan for fiscal year 2019, specifically the reorganization of the government departments impacted by the reforms and the preparation of implementing regulations for the new Public Procurement Code.

19. The government also intends to pursue the medium-term reforms aimed at improving the quality of expenditure and treasury management, as defined in the fiscal reform program. The focus of these reforms is:

- *Continue and deepen the treasury management reforms with a view to introducing a single Treasury account (STA) (due by September 2019).* In this context, the following actions will be undertaken:
    - ➢ Strengthen the role of the treasury committee, which will be responsible for preparing credible monthly cash flow plans based on commitment plans that are underpinned by the procurement plans to reduce liquidity pressures and the accumulation of domestic arrears. The committee will also prepare annual commitment plans to be attached to the budget law, starting with the 2020 budget.
    - ➢ Continue the efforts to close and repatriate to the BEAC (in the Treasury account or in accounts opened in these entities' names) bank accounts eligible for inclusion in the single Treasury account of government departments, public agencies and institutions and administrative public establishments as well as some accounts of the debt sinking fund ("Caisse autonome d'amortissements"-CAA). During 2018, more than 400 CAA accounts were closed and their balances in the amount of approximately CFAF 7.3 billion were repaid to the Treasury, for a total amount identified at around CFAF 40 billion. Moreover, the government has asked the banks to close some dormant accounts and transfer to the BEAC the balances of these accounts, totaling approximately CFAF 44.5 billion by September 2019. The government will also continue the dialogue with the technical and financial partners on the possibility of centralizing all counterpart funds for new joint projects in a single account opened at the BEAC. The management of accounts already opened for existing projects will continue until completion of the related studies (management of counterpart funds), bearing in mind the requirements of the various donors. For effective repatriation of the

government's resources at commercial banks to the BEAC and the expansion of the scope of the single Treasury account, the government will take the following actions by end-September 2019: (i) sign a management agreement for the single Treasury account with the BEAC; (ii) submit a list of government accounts (and the balances on these accounts), excluding counterpart funds, as of June 30, 2019; and (iii) send letters to the public entities holding these accounts explaining the single Treasury account reform and proposing a timetable for the closure of these accounts and the repatriation of their balances to the BEAC by end-December 2019. The total resources transferred to the single Treasury account between May and December will amount to at least CFAF 80 billion.

- *Continue to clean up and reduce the balances of correspondent accounts while making sure to respect the deposit accumulation objective*. The closing of dormant correspondent accounts and the accounts of non-revenue generating entities -has been completed (June 2019 SB), the audit of the remaining correspondent accounts will continue, and the prohibition on new appropriations for carryovers of budgetary appropriations and the opening of new accounts is maintained.
- The strengthening of the government financial reporting system will continue to ensure that budgetary and accounting information is complete, reliable and timely. Specifically, starting in June 2019, the TOFE will be produced on the basis of automatic links with the balances on the Treasury accounts, on the one hand, and the table of payment authorizations, on the other, and will be validated on the basis of the provisions 953, 954 and 955 of the circular of December 28, 2018 providing instructions on the execution of the budget of the government and other public entities for fiscal year 2019.
- *To enhance the efficiency of capital expenditure, the government will implement reforms to improve project selection, planning, and the execution of investments*.
    - ➢ The implementation of the decree on investment projects’ maturation decree will restrict inclusion in the budget to projects that have been deemed mature and for which the expropriation compensations have been paid.
    - ➢ The accountability of project implementation units will be enhanced through the definition of standardized terms of reference and the remuneration of experts in these units on the basis of well-defined performance indicators. These terms of reference will include the preparation of quarterly reports with physical and financial project implementation indicators, revision of the disbursement plan, if necessary, and project management expenditures (new structural benchmark for September 2019).

20. The DGI and DGD will pursue ongoing efforts to improve revenue collection, combat tax fraud and evasion, reduce exemptions, and ensure the integrity of the taxpayer database and IT systems.

- **The DGI will focus on:**
    a. Enhancing the efficiency of the Large Taxpayer Directorate (DGE) and the Centre 1 and Littoral 1 Regional Tax Centers by better organizing these entities, and enhancing the

management of the taxation of individuals by creating specialized units within the Medium-Sized Taxpayer Centers (CIMEs) and the Divisional Tax Centers (CDIs).

b. Improving the yield of the VAT by raising the VAT liability threshold.

c. Continuing the computerization of tax procedures, specifically those of the renovated Divisional Tax Centers (CDIs) to ensure that they benefit from the existing electronic filing and payment procedures.

d. Strengthening tax audits by implementing targeted audits to reduce the rate of VAT returns with a credit balance, introducing automated tracking of audit procedures in the DGE and the CIMEs, and stepping up recourse to local and international expertise via Tax Inspectors Without Borders.

e. Based on the results of more intense discussions with the DGD, we also plan to develop the potential for additional revenue collection. Specifically, we plan to continue the identification, investigation and audit operations for noncompliant enterprises and proceed with sending out tax adjustments for and collecting undeclared taxes.

f. Introducing a simplified uniform tax for enterprises not subject to the VAT.

g. Continuing the process of simplifying and automating procedures by introducing electronic payments for enterprises coming under the DGE and the CIMEs, electronic filing of Statistical and Tax Declarations (DSF), the registration of judicial decisions for tax purposes, and the automation of the dispute procedure and the granting of payment delays to reduce the time needed to process cases and control the risks of delaying tactics in the collection of tax revenues.

h. Improving the collection of taxes by strengthening the debt collection mechanism for the tax debts of importers at the DGD.

- **The DGD, for its part, will continue to consolidate the reforms implemented by enhancing the revenue optimization and facilitation measures in effect, such as:**

a. Secure customs revenues through the quarterly reconciliation of import declarations and the scanning images validated by the Société générale de surveillance (SGS) with the assessed customs duties. Steps will be taken to increase the effectiveness of this measure, specifically by (i) making the import declaration mandatory for operations whether or not they are subject to the program for the verification of imports with a declared f.o.b. value and requiring the Value and Tariff Classification Report (RVC) number for submitted declarations; (ii) making mandatory and blocking the RVC number and the Control of Identification of Vehicles Imported into Cameroon (CIVIC) number fields in import declarations; and (iii) improving the inspection of used vehicles by making importers and licensed customs brokers accountable, particularly by requiring the CIVIC document before issuing the customs clearance certificate for the registration of the imported vehicles. The DGD will reconcile the CIVIC values forwarded by SGS with those validated by the DGD. The monitoring of exports will also be enhanced by (i) requiring tax slips (bordereaux de taxation—BDT) for all export declarations submitted and (ii) making mandatory and blocking the BDT field. In addition, SGS will take legislative and regulatory provisions into account, such as the provisions of the budget laws and other regulations, during evaluation and pre-assessment.

b. Prepare monthly reconciliations of revenues collected by customs with revenues paid to the Treasury (in the context of the TABORD Committee at the DAE, which reconciles revenue agency data) to assess and validate the monthly MINFI results.

c. Continue to reduce tax expenditures in cooperation with the DGI.

d. Improve revenue collection by simplifying procedures, further expanding electronic payments, and harmonizing tax bases throughout the country.

e. Enhance the protection of the information system by making user profiles and the interconnection with other partners more secure through the strengthening and consolidation of ASYCUDA++. At the same time, complete the work to modernize the DGD information system (CAMCIS) and consider the operationalization of some modules on July 1, 2019.

f. Focusing the efforts to fight fraud and smuggling through the HALCOMI III operation involving products such as vehicles, sardines, alcohol, fabrics, etc.

21. The joint DGI/DGD work on the "FUSION" application database will continue and is expected to improve data collection and information sharing between the two administrations. The efforts will focus on: (i) continuing the cleanup of the taxpayer database by using the results of cross-checks between the DGI and DGD databases; (ii) harmonizing and simplifying procedures; (iii) controlling derogatory regimes, specifically by accelerating joint DGI-DGD audits of enterprises that have benefited from tax exemptions; (iv) continuing the evaluation of tax expenditures each year; (v) ensuring the validity of exemptions by requiring the immediate transmission of the document approved by MINFI to the Legislation and Disputes Directorate for processing and registration in a database set up in the DGD central offices; and (vi) preparing a procedures manual aimed at enhancing joint audit and investigation operations to optimize revenues.

D. Debt Policy and Management of Contingent Liabilities

22. Our debt policy will continue to focus on the need to avoid debt distress and to place public borrowing on a sustainable path. As the risk of debt distress is still high, the government will continue to give priority to concessional loans and to limit non-concessional borrowing to priority projects for which no concessional financing is available, in accordance with the program limits defined on the basis of the findings of the public debt sustainability analysis.

23. The debt increased in 2018 but efforts, which will continue, were made to limit the contracting of new non-concessional loans. The ratio of the total public debt to GDP increased from 27.4 percent in 2016 to 34.5 percent at end-2018.[1] Of the 31 new loans totaling CFAF 675.6 billion (including CFAF 433.7 billion in non-concessional loans) that were proposed in the 2018 borrowing plan, 18 of the proposed loans in the amount of CFAF 449.7 billion were contracted, including 9 non-concessional loans in the amount of CFAF 341.2 billion (below the program ceiling of CFAF 436 billion in new non-concessional external loans) (Text Table 1).

24. To preserve debt sustainability, the government has refined the prioritization of the borrowing plan and finalized the 2019 disbursement plan (structural benchmark). The plans were prepared in coordination with the major donors, while respecting the annual ceilings on disbursements of non-concessional loans of CFAF 588 billion and the contracting of new loans (TMU ¶37-38). The government also canceled CFAF 111 billion in nonperforming SENDs, which, along with the acceleration of disbursements, helped to reduce the stock of SENDs to 18.9 percent of GDP, and it is considering the cancellation of an additional CFAF 166 billion. For the ceilings on non-concessional disbursements, the trade-off between the urgency and importance of the disbursements to prioritize, bearing in mind the real absorption capacity of projects, and the liquidity needed for debt service should lead to the maintenance of the ceiling at CFAF 588 billion for 2019. The government will continue to prepare quarterly disbursement plans for all investment projects in cooperation with the project managers and coordinators, and these plans will serve as the basis for disbursement requests in accordance with the SEND disbursement plan. Monthly monitoring of disbursement requests and actual disbursements will continue.

25. The government has asked China to reschedule its debt and restructure some financing owing to the sharp increase in debt service and delays in project implementation. External debt service totaled CFAF 380 billion in 2018 and is expected to increase to CFAF 471 billion in 2019, or 15 percent of non-oil revenue, 35 percent of which is owed to China. The work resulted in an agreement in principle on the cancellation of the debt to the Chinese government in the amount of CFAF 35 billion and consideration of the possibility of rescheduling the debt service to Eximbank China over three years, which could amount to approximately 0.7 percent of GDP.

26. In addition, the government plans to enhance its monitoring of the management and performance of public enterprises and SOEs to limit fiscal risks.

- Specifically, the government intends to accelerate the implementation of the reform of public enterprises and establishments under Laws Nos. 2017/011 and 2017/010 of July 12, 2017 on the General By-Laws of Public Enterprises and the General By-Laws of Public Establishments, respectively. To streamline its portfolio and reduce fiscal risks, the government will study the viability of public enterprises by conducting diagnostic studies of CAMTEL, CAMWATER, CAMAIR Co and the Autonomous Port of Douala and audits of other public enterprises that are highly indebted and/or post a deficit by December 31, 2019 (new structural benchmark).

[1] This estimate includes the 2013 SONARA supplier debt of 0.3 percent of GDP. In its macroeconomic framework and debt sustainability analysis, the IMF adds the Treasury float and the other SONARA debt to these amounts.

- The Treasury will continue to make quarterly payments for government utility consumption (ENEO, CAMWATER, CAMTEL, SONARA) on the basis of annual budget allocations so as to limit the emergence of cross debts with these entities, and will reconcile these payments with actual consumption at the end of the year. In return, these entities must properly discharge their tax liabilities.
- The government also plans to amend the law on public-private partnerships (PPPs) to improve the transparency of the projects financed and to avoid projects that do not meet its priorities.

27. The government will continue to strengthen the debt management framework. The National Public Debt Committee (CNDP) will continue to systematically review all project financing proposals, including for the SOEs included in the scope of public debt as well as PPPs, and will give its approval only if the project meets the maturity, urgency, priority, quality of financing, fiscal sustainability and economic relevance criteria, while bearing in mind the impact on debt sustainability. Only an unconditional favorable notice from the CNDP will lead to the signing of new loan agreements. On the other hand, the government, including the public enterprises included in the scope of public debt, is committed now not to contract new collateralized loans.

28. The government will implement pending measures contained in the strategy to improve SONARA's financial sustainability. These involve:

a. Arranging competitive tenders for LPG imports. This measure has resulted in a significant reduction in the import premium on this product and has made it possible to achieve savings of around CFAF 5-6 billion per year. The regulatory framework for the CSPH has been aligned with the new law on public enterprises, which calls for the payment of realized annual profits to the Treasury. The validation of CSPH LPG shortfalls by an expanded committee and the approval of the transfer of surplus CSPH cash to the Treasury by the CSPH Board of Directors will take place by June 2019, and the actual transfer of these profits will take place by end-August 2019 (reset structural benchmark).

b. Allow SONARA to market its zero-interest bearing (OTZ) securities to improve its cash position.

c. Clear SONARA's shortfalls ("manques à gagner"- MAG) monthly and settle the amounts owed by the state within a maximum of 90 days.

d. Regularly pay taxes collected and those owed by SONARA to the Treasury.

e. Revise and simplify the current fuel price structure (new structural benchmark) to make the price structure sustainable and equitable for the various parties concerned, specifically by: (i) reducing the "transport equalization" item; (ii) analyzing the financial position of public entities in the oil sector (SCDP, CSPH and SONARA) to reduce their share in the price structure, including by reducing their operating costs and paying their surpluses to the Treasury; and (iii) developing a subsidy program that better targets vulnerable populations and launching a communications campaign highlighting the costs and inequity of general subsidies and the advantages of increased fuel price flexibility, with World Bank's assistance.

Text Table 1. Cameroon: Revised 2018 Borrowing Plan

Project	Creditor	Amount (CFAF billion)	Date of Signature
Prioritised Concessional Loans Under the Borrowing Target			
Project for the construction of a bridge across the Logone River and adjoining developments	AfDB	**21.9**	(05/24/2018)
Project for the construction of a bridge across the Logone River and adjoining developments	ADF	**7.8**	(05/24/2018)
Cameroon Mining Sector Technical Assistance project	WB	**15.9**	(06/20/2018)
Agricultural infrastructure and value chain development project in Cameroon (RUMPI 2)	IsDB	**30.5**	(05/08/2018)
Project for the construction of the Nanga Eboko Vocational Training Center	Raiffeisen Bank	**3.3**	(20/12/2018)
Community Development Program Support Response to Forced Displacements	WB	**4.3**	(17/12/2018)
Health System Performance Reinforcement - Additional Financing	WB	**3.3**	(17/12/2018)
Project in Support of the Elimination of Mother-to-Child HIV Transmission in Cameroon	IsDB	**11.6**	(28/12/2018)
Project for the modernization of the DGI	KFW	**9.8**	(20/12/2018)
Total		**108.4**	
Prioritised Non-concessional Loans Under the Borrowing Target			
Rural electrification project by the OPEC Fund for International Development	OFID	**7.3**	(05/24/2018)
Project for the rehabilitation of the Roumde-adja Stadium, construction of the auxiliary stadium and a 4-star hotel in Garoua	BMCE Bank international	**19.7**	(03/19/2018)
Project for the expansion of the intelligent urban video surveillance system nationally (Phase I, 1,500 cameras)	BANK OF CHINA	**23.0**	(02/28/2018)
Imports of crude oil by SONARA	ITFC/IsDB	**44.6**	(02/19/2018)
Project for the stabilization and improvement of the electricity networks in the city of Douala	SG Paris	**108.7**	(03/07/2018)
Water supply project for nine cities, Phase II: Dschang, Garoua-boulai, Garoua, Maroua and Yabassi	Eximbank China	**53.5**	(03/22/2018)
Line of credit for the financing of a fertilizer import operation for SODECOTON	ABEDA	**14.4**	(12/28/2018)
Project to increase the capacity of the SODECOTON plants	ABEDA	**5.8**	(12/28/2018)
Agricultural inputs import operation for the 2017, 2018 cotton season	ITFC	**64.3**	(12/26/2018)
Total		**341.2**	

E. Regional Monetary Policy and Financial Sector Stability

29. The government undertakes to implement policies that are consistent with maintaining the stability of the monetary arrangement, which requires the stabilization and reconstitution of the BEAC reserves. Specifically, implementation of the recommendations of the October 2018 Heads of State Summit held in Chad made it possible to increase the repatriation of foreign exchange, which, in the case of Cameroon, totaled CFAF 184 billion at end-December 2018. In addition, the government firmly commits to ensuring the transparency and surrender of export proceeds by public enterprises, particularly in the oil sector. In particular:

- The government will identify accounts held abroad by public enterprises and the balances on these accounts by end-July 2019; these entities will be required to repatriate and surrender these external assets to resident banks by December 31, 2019, in accordance with the regulations, or obtain a written waiver from the BEAC.

- The government will share all contracts concluded with mining industry operators with the BEAC, specifically indicating the revenue-sharing arrangements, the modalities for the repatriation of these revenues and the financial terms, by end-September 2019 (new structural benchmark). The government will prepare a timetable for ensuring that these contracts are fully in compliance with the new foreign exchange regulations. The government also commits to consulting with BEAC staff before contracting new concession contracts or revenue-sharing agreements with the extractive industries to ensure that they are in compliance with the foreign exchange regulations. The government will ensure, in cooperation with the BEAC, that the implementation of the new petroleum code is fully compliant with the BEAC's FX regulation.

- The government will organize, together with the BEAC, a high-level consultation meeting with the operators in these sectors by end-July 2019 to clarify the new foreign exchange regulations and review all issues relating to their implementation.

- The government will ask the customs administration to perform its due diligence regarding compliance with the new regulations on the domiciliation of all export transactions with a resident commercial bank by end-August 2019. To this end, an IT platform for the exchange of data between the BEAC, the banks and MINFI (Treasury-Customs) is being created to facilitate the auditing and tracking of the repatriation of export proceeds.

30. The government is continuing to implement the reforms aimed at strengthening the stability of the banking system. To this end:

- Options for the resolution of two ailing banks have been prepared by MINFI on the basis of the technical assistance report and have been forwarded to the Prime Minister's office and COBAC for comments. COBAC has not made any objections but has asked for the final restructuring plans approved by the government including a deadline. The government has therefore entered into discussions with the shareholders and set up a committee responsible for preparing the plans, which will include: (i) evaluating the sales prices for nonperforming assets based on the new valuation methodology of the state asset management company (SRC) to identify the capital needs of each bank; (ii) having the shareholders make up the minimum capital required to meet the prudential requirements and, if necessary, (iii) seeking a buyer. These plans, which respond to the objectives of financial inclusion and minimization of fiscal costs and risks for the government, will be prepared in coordination with IMF staff by end-June and submitted to COBAC for consultation by end-July with a view to their adoption by end-October 2019 (reset structural benchmark).

- The study on the financing needs of SMEs has been completed. The government will propose a viable business model for the financing of SMEs based on international best practices, which will be approved by end-September 2019 (reset structural benchmark). The SME bank, which was still posting a deficit at end-2018, is pursuing its consolidation strategy with a view to breaking even by the second quarter of 2019.

- The public bank was profitable in 2018 and is pursuing the implementation of its performance contract, which will be reviewed by the Joint Evaluation Committee by end-May 2019. The transfer of impaired loans of the public bank to the SRC, and their valuation on the basis of the new methodology, will be completed by June 2019. In accordance with its commitment, the government will recruit, on a competitive basis, directors to provide the bank with a majority of independent board directors by end-June 2019. In accordance with international best practices, the audit committee will be chaired by an independent director starting in September 2019.

- The Ministry of Finance will ensure strict enforcement of the new microfinance regulations, which have been in place since 2018. To this end, in accordance with the regulations, it will ensure that each institution in operation at end-2019 has obtained a license from COBAC and will transmit a report to COBAC by end-January 2020.

31. The government will also continue to implement its action plan for the reduction of nonperforming loans.

- The training of 20 judges and 10 clerks from four major business centers in the resolution of bank disputes was completed in March 2019. The deployment of these judges in the commercial courts and the channeling of banking legal cases to these judges is under way. The authorities will ensure annual follow-up on this training on the basis of case studies and the initial training will be offered every two years to new judges.

- The registry for movable collateral is operational. The registration of the existing stock of movable collateral is under way and will be completed by end-July 2019.

- The updated report on the inventory of nonperforming loans will be completed by end-May 2019. By end-July 2019, the authorities will (i) enter into discussions with each bank to identify the challenges they face in the classification and charge-off of provisioned loans; and (ii) evaluate the timeliness of an exceptional measure to facilitate the cleaning of the balance sheets.

- The CNC has prepared a draft law to enhance credit repayment discipline; the draft is being reviewed and it is expected to be submitted to Parliament by end-June 2019.

- The laws (i) on the appointment of a pretrial judge for civil and commercial cases; (ii) amending the law on judicial organization, which will enshrine the creation of commercial courts; and (iii) on legal deposits, enshrining the right of access to justice and processing times, will be submitted to Parliament by end-August 2019 after the comments of the development partners have been received and incorporated, and the corresponding implementing regulations will be reviewed by end-2019.

- The action plan for the reduction of nonperforming loans will be expanded and updated by end-June 2019 by the Ministry of Finance in close cooperation with the Ministry of Justice and the professional banking association.

F. Competitiveness and Private Sector Development

32. The government is committed to accelerating the implementation of measures designed to support the development of the private sector and diversification of the economy. Recent efforts have focused on improving the customs infrastructure and procedures to facilitate trade and the collection of taxes.

- *Trade facilitation*. The government has continued to support the modernization of the CEMAC legal framework, specifically the implementation of the new CEMAC customs code approved in March 2019. The Port of Douala electronic payment platform has been expanded, allowing for the payment of customs duties and taxes in several regions. Other fees and taxes are also being included in the platform, which is a one-stop shop for the payment of all foreign trade costs. Accelerated access to the "green channel" is already granted to low-risk operators with a high revenue potential. The single transit permit (TTU) is operational and the warehouse for used vehicles less than 10 years old is being built. In addition to the above actions and in order to improve cross-border trade operations, the government will (i) adopt and implement an end-of-project plan for the automation of foreign trade operations (June 2019); (ii) implement the concept of licensed operator (November 2019); and (iii) eliminate intermediate controls for the transport of goods in transit at conventional checkpoints (November 2019).

- *Upgrading of procedures*. The existing measures focus on the simplification, modernization and reduction of the cost of complying with tax obligations. They involve the online tracking of the processing of contentious claims, the online issuance of payment deferrals, the electronic transmission of tax payment receipts to taxpayers, the online consultation of the tax status of taxpayers, and the cash payment of taxes by small and microenterprises at bank windows.

33. The government also commits to taking measures to improve compliance with the principles of the Extractive Industries Transparency Initiative (EITI) and international anti-money laundering and terrorist financing (AML/CFT) standards. The government will take measures to follow up on the 14 recommendations of the EITI Committee so that Cameroon can be declared in compliance with the 2016 standard during the 2019 validation cycle and plans to publish a progress report by mid-2019. As regards the AML/CFT regulations, a national risk assessment was launched in November 2018 with World Bank support; this is one of the components of the GABAC assessment to be held this year. The exchange regulations adopted by the BEAC improve compliance with the AML/CFT provisions. The government will support the actions of the National Financial Investigation Agency (ANIF) to increase the reporting of suspicious transactions by designated non-bank institutions and to enhance the follow-up on these reports and any judicial proceedings undertaken. Awareness-raising actions targeting various parties will be conducted on this topic. The Ministry of Justice will produce dedicated statistics and the judicial authorities will produce dedicated information in their annual report.

V. PROGRAM ARRANGEMENTS

34. 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 fifth program review will be based on end-June 2019 targets and objectives and is expected to be completed on or after December 15, 2019, and the sixth and final review will be based on end-December 2019 targets and is expected to be completed on or after May 31, 2020.

Table 1. Cameroon: Quantitative Performance Criteria and Indicative Targets and Projections, 2018–19

(Billions CFA Francs, cumulative for each fiscal year)

	2018							2019									
	Sep			Dec				Mar				Jun		Sep		Dec	
	3rd Rev. IT	Act.	Status	3rd Rev. PC	Adj. PC/IT	Prel.	Status	3rd IT	Adj. IT	Prel.	Status	3rd PC	Prop. Rev. PC	3rd Rev. IT	Prop. Rev. IT	3rd Rev. Proj.	Prog. PC
A. Quantitative performance criteria and indicative targets 1/																	
Floor on the non-oil primary fiscal balance (payment order basis)	-477	-557	Not Met	-872	-872	-837	Met	-123		60	Met	-417	-399	-574	-641	-673	-760
Ceiling on the net domestic financing of the central government excluding IMF financing 2/	-113	-163	Met	-8	-7	-212	Met	-51	42	-44	Met	-10	90	-101	126	18	1
Ceiling on net borrowing of the central government from the central bank excluding IMF financing 2/	-63	36	Not met	-70	-69	41	Not met	-36	19	31	Not Met	9	34	-30	6	-6	-18
Ceiling on the disbursement of non-concessional external debt 3/	596	371	Met	596	596	508	Met	353		79	Met	353	389	588	588	588	588
B. Continuous quantitative performance criteria 4/																	
Ceiling on the accumulation of new external payments arrears	0	0	Met	0	0	0	Met	0		52	Not met	0	0	0	0	0	0
Ceiling on new non-concessional external debt contracted or guaranteed by the government 5/; 6/; 7/	620	436	Met	436	718	623	Met	500		0	Met	500	500	500	500	500	500
C. Indicative Targets																	
Floor on non-oil revenue	1,968	1,985	Met	2,680	2,680	2,864	Met	669		646	Not met	1,385	1,351	2,102	2,116	2,892	3,044
Ceiling on the net accumulation of domestic payment arrears	0	-75	Met	-94	-94	-168	Met	0		114	Not met	0	0	0	0	0	-149
Floor on social spending	460	462	Met	657	657	661	Met	164		142	Not met	325	325	497	497	749	772
Ceiling on direct interventions of SNH	156	149	Met	156	156	195	Not met	140		46	Met	140	140	140	140	140	140
Share of spending executed through exceptional procedures on authorized (payment order) spending 8/	10	10	Met	10	10	9	Met	5		7	Not met	5	5	5	5	5	5
Memorandum items:																	
1. Cumulative external budget support, excluding IMF (earliest disbursement)	167	184		298	298	297		55		0		88	0	219	180	298	269
2. New concessional external debt contracted or guaranteed by the government 9/	245	70		245	245	92		150		110		150	318	150	318	150	318
3. Balance of the special account for the unused statutory advances	247	255		227	227	232		214		217		202	202	189	189	177	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 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.

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

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

6/ 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 132 billion.

7/ Starting on January 1, 2020 the ceiling for non-concessional external debt is set at zero until it is changed by the IMF Executive Board following discussions of a new DSA and on a list of specific projects for 2020.

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.

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

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

		Timetable	Indicator	Status	Review
Prior Actions					
1	Submit a 2019 revised budget in line with program objectives		Transmission letter to the National Assembly	Met	
2	Finalize budget calendar implementing the new law on Finance Laws, including a reduction of the complementary period to one month starting with the 2020 budget		Signed decree establishing the new budget calendar	Met	
3	Publish 2018 budget execution report explaining spending overruns		Publication on the Ministry of Finance's website	Met	
Fiscal policy and revenue mobilization					
1	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	Recurrent
Public finances and debt management					
2	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, Oct-2019	Annexed to the budget law		Recurrent/Fifth review
3	Monthly monitoring report of disbursement requests and actual disbursements	Monthly starting in Jul-18	Report submitted to Fund staff	Regularly met, proposed to be moved to the TMU as required information	Recurrent
4	Produce a quarterly report on balances payable and arrears for prior fiscal years	Quarterly, starting in Jul-18	Report submitted to Fund staff	Met	Recurrent
5	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	Not-met, proposed to be reset	Fourth review
6	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	Not-met; completed in May	Fourth review
7	Prepare a disbursement plan for the SENDs for 2019-20 in line with the program's macro-fiscal objectives, following the discussions with development partners	Mar-19	A disbursement plan for the SENDs is sent to Fund staff	Not-met; completed in May	Fourth review
8	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	Met	Fifth review
9	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	In progress; proposed to be reset	Fifth review

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

	Timetable	Indicator	Status	Review	Comments
Financial sector stability and private sector led growth					
10 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	Recurrent	Met, improve the presentation by showing the budget allocations in addition to the actual payments.
11 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	Not met; completed in March	Fourth review	The training was closed at the end of March 2019 with a wider scope. An evaluation report of the training will be required.
12 Computerize the register of movable collateral	Dec-18	Register available online	Met	Fourth review	
13 Decide the business model of the SME bank	Mar-19	The approved business model is submitted to Fund staff	Not met; proposed to be reset	Fourth review	The study that support the decision of the business model has been initiated but it will most likely need TA and delayed .
14 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 online	Not met; expected to be completed by end-July 2019	Fourth review	Bankers have been trained and the recording has started.
15 Resolve the two ailing banks	Aug-19	The two banks are recapitalized or resolved	In progress; proposed to be reset	Fifth review	The decision on the resolution option is pending at the PM office which is prerequisite to initiating the Fund TA.
New and reset structural benchmarks					
1 Validate the compensations needed for LPG fuel in a committee and transfer of excess cash surpluses approved by the board of the Hydrocarbon Prices Stabilization Agency (CSPH) to the Treasury.	Aug-19	Communication of the list of the appropriate committee members and proof of the transfer of the approved cash surpluses to the Treasury	Reset SB	Fifth review	
2 Continue reforms to extend the TSA at the BEAC: (i) sign a single treasury account management agreement with BEAC; (ii) provide a census of the government accounts (and the balance of these accounts) excluding counterpart funds as at June 30, 2019; (iii) provide to the public entities holding these accounts letters explaining the reform of the STA and proposing a timetable for the closure and repatriation of the balances of these accounts to the TSA at the BEAC by end-December 2019	Aug-19	Signed agreement transmitted to IMF staff; carried out and transmitted to IMF staff, copies of correspondence sent to the IMF	Reset SB	Fifth review	
3 Enhance the accountability of project implementation units by establishing clear terms of reference and investigating the feasibility of linking remuneration to quality of project management	Sep-19	Terms of reference adopted and implemented through MINEPAT circular	New SB	Fifth review	
4 Decide the business model of the SME bank	Sep-19	The approved business model is transmitted to Fund staff	Reset SB	Fifth review	
5 Revise and simplify the existing fuel price structure	Sep-19	Decree simplifying the fuel price structure	New SB	Fifth review	
6 Transmit the contracts signed with mining and oil compagnies to the BEAC	Sep-19	BEAC confirmation of receival of the contracts	New SB	Fifth review	
7 Adopt in consultation with the COBAC and the IMF resolution plans of the two troubled banks that minimize fiscal costs	Oct-19	Communication of the approved resolution plans	Reset SB	Fifth review	
8 Finalize audits (diagnostics study) of a few major SOEs (CAMTEL, PaD, CAMAIR-Co, CAMWATER)	Dec-19	Study reports sent to Fund staff	New SB	Sixth review	

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 TMU also 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-June 2019 to end-December 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 2001 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 non-financial 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. From June 2017, all transactions between the State and these public enterprises should be accounted for on a gross basis in the TOFE by separating the revenue transactions from those related to expenditure.

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 accounted for 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 sum of the transferable balance of the national hydrocarbons company (SNH), and of the company income tax on petroleum companies and gas operators. The authorities will notify IMF staff of any changes in the tax system that may occur that would lead to changes in revenue flows. Oil revenue is accounted for 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 the 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 are part of government expenditure, and include emergency payments made by SNH on behalf of the government, substantially to cover exceptional sovereignty and security 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) adopted on December 5, 2014, 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. Variable Interest rate debt: Starting July 1st, 2019, for future contracting of debts carrying a variable interest rate in the form of an interest rate plus a fixed spread, the grant component of the debt would be calculated using a program reference rate plus the spread (in basis points) specified in the debt contract, or where applicable on the IBRD/AfDB website. The program reference rate for the six-month USD LIBOR is 3.26 percent and will remain fixed for the duration of the program.[1] The spread of six-month EURIBOR over six-month USD LIBOR is -250 basis points. The spread of six-month JPY LIBOR over six-month USD LIBOR is -300 basis points. The spread of six-month GBP LIBOR over six-month USD LIBOR is -200 basis points. For interest rates on currencies other than Euro, JPY, and GBP, the spread over six-month USD LIBOR is -100 basis points.[1] Where the variable rate is linked to a benchmark interest rate other than those specified above, a spread reflecting the difference between the benchmark rate and the six-month USD LIBOR (rounded to the nearest 50 bps) will be added.

16. 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

[1] The program reference rate and spreads are based on the "average projected rate" for the six-month USD LIBOR over the following 10 years from the Fall 2018 World Economic Outlook (WEO).

[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.

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.

17. 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, domestic payment arrears, and SONARA's domestic debt.

- 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.

    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.

18. 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.

[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.

- 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 Treasury.

19. **Domestic payment arrears** are the sum (i) of payment arrears on expenditure and (ii) payment arrears on domestic structured debt, and (iii) non-structured 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. Balances payable under 90 days represent payments in progress (floats). The treasury will monitor this information on a monthly basis to identify expenditure arrears in the stock of balances payable.

- Payment arrears on structured domestic structured 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.

- Non-structured debt is defined as:

  i. The CAA non-structured debt that is all balances payable and government liabilities 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 non-structured debt was CFAF 113.96 billion at end-2016.

  ii. The "Floating" domestic debt that includes all government commitments for which a good has been delivered or a service has been provided by a public or private service provider, but that has not been committed in the budget. These obligations include bills due and unpaid to public and private enterprises but exclude the tax debt resulting from debt clearing operations with public enterprises and the execution of public contracts with external financing that have not been subject to budget commitments due to insufficient budget appropriations. The Directorate-General of the Budget in collaboration with the Treasury will carry out a monthly monitoring of these commitments.

20. **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

21. 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 Criterion

22. 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.

23. 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 financing gap in the TOFE (which includes the errors and omissions) 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

24. The detailed data on government financial operations indicating the primary balance, oil revenue, and the level of financing gap in the TOFE 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 Criterion

25. 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

26. 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.

27. 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 pour each quarter in 2019. This ceiling may be revised to reflect the rate of budget aid disbursements during the year.

Cutoff Dates for Reporting Information

28. 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 Criterion

29. **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

30. 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 Criterion

31. **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.

32. 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.

33. **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 for each quarter in 2019. This ceiling may be revised to reflect the rate of budget aid disbursements during the year.

Cutoff Dates for Reporting Information

34. 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 Criterion

35. **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

36. 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 Criterion

37. **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 16 of this Memorandum. This performance criterion is also applicable to any debt guaranteed by the government that constitutes a contingent liability as defined in paragraph 14 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, loans from the IMF or debt relief or rescheduling. For the purposes of this PC, debt relief is defined as a restructuring with the existing creditor on terms that reduce the net present value of the debt, and debt rescheduling, defined as operations with the existing creditor that extend the weighted average maturity of the cashflows without increasing net present value. 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.

38. Starting from the date of completion of the fourth review, the ceiling under the performance criterion on new non-concessional external debt is limited to external debt contracted or guaranteed in relation to those projects specified in the list in Text Table 1. Any contracting or guaranteeing of new non-concessional external debt for projects other than those listed in Text Table 1 below would result in the nonobservance of the PC. Non-concessional external debt in the list below already contracted or guaranteed in 2019 counts against the 2019 calendar year ceiling specified in Table 1 of the MEFP.

Adjustment

39. 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 AFDB and France for debt management operations. 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

40. 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.

Text Table 1. Cameroon: 2019 List of Projects Under the NCB Target

1	SONARA(debt repayment, projects and working capital), signed on 4/26/2019
2	Project for the Construction of the Ebolowa-Kribi (225 KV) and Mbalmayo-Mekin (90 KV) transmission lines and related works
3	Project for the Construction of the Olama-Kribi Road (Section Bingambo-Grandzambi)
4	Project for the Construction and Equipment of the Annex Building of the Mbalmayo Regional Hospital
5	Project for the Development of the Value Chain in Lifestock and Fish Breeding
6	Construction of 225 KV Transmission Lines Between N'Gaoundéré and Tibati
7	Project for the Interconnection of Electricity Networks between Cameroon and Chad
8	Menchum Hydroelectric Development Project
9	Road Program Phase 3 (Ring Road)
10	Project for the purchase of rolling stock for CAMRAIL (Phase 1)
11	Regional project for the socioeconomic reintegration of young people
12	Construction of the 225 KV Electric Power Transmission Line for the Supply of the KRIBI Industrial Port Complex (Phase 1), Tranche 1
13	Project for the expansion of the intelligent urban surveillance system at national level (Phase I, 1,500 cameras)
14	Construction of the 225 KV Electric Power Transmission Line for the Supply of the KRIBI Industrial Port Complex (Phase 1), Tranche 2
15	Projets for the Rehabilitation of the CRTV
16	Phase II PLANUT "Fisheries and Livestock" Component
17	Project for the Construction of the Olama-Kribi Road (Section Bingambo-Grandzambi)
18	Project for the Construction of 2,412 drinking water drilling equipped with Human-Powered Pumps in the Northern Regions of Cameroon (PLANUT)
19	Development Works of the Logistics Zone of the Kribi Port
20	Project 25 wagons
21	Project for the Renovation of the National Center for the Rehabilitation of Disabled Persons (CNRPH) - Cardinal Paul Emile LEGER
22	Feasibility and design studies for the project to supply water to the cities of Buea, Tiko and Mutenguene

II. OTHER INDICATIVE QUANTITAVE OBJECTIVES

A. Non-Oil Revenue

41. **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

42. **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 and excludes the non-structured debt not authorized by the Treasury (issuance of payment order by the Treasury).

C. Social Expenditure

43. **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

44. 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

45. **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

46. 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 spending authorizations (“ordonnancements”) presented in the table M1 of the TOFE will be used to compute this ratio.

III. DATA SUBMISSION REQUIREMENTS

47. 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. 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
Monthly monitoring report of disbursement requests and actual disbursement	CAA/MINEPAT	Monthly	2 weeks1

Table 1. Summary of Data Reporting Requirements (continued)			
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
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
Publish the petroleum product price structure	MINFI	Monthly	1st week of the current month
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
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

Table 1. Summary of Data Reporting Requirements (continued)			
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
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. Summary of Data Reporting Requirements (concluded)			
Balance of payments			
Preliminary annual balance of payments data	MINFI	Annual	9 months
The trade statistics	MINFI/INS	Monthly	3 months
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

Supplementary Letter of Intent

July 1, 2019

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

Madam Managing Director:

Further to the Letter of Intent dated June 17, 2019, that I have sent to you in order to request the conclusion of the 4th review of the economic and financial program supported by the International Monetary Fund under the Extended Credit Facility, I wish to inform you that the amount of new external arrears that accumulated since the Board completed the third review of this program is CFAF 55.18 billion and not CFAF 52 billion as reported in the staff report as well as in the above-mentioned Letter of Intent and the attached Memorandum of Economic and Financial Policies. The additional arrears have been recently accrued towards Spain, on the one hand due to a small delay in payment of debt service beyond the grace period and, on the other hand, because the government did not have the necessary information to make the payment on time. All arrears and related penalty interests have now been fully repaid.

Sincerely yours,

/s/

Joseph Dion Ngute
Prime Minister, Head of Government