



# CAMEROON

## SELECTED ISSUES

April 2026

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# CAMEROON

## SELECTED ISSUES

March 9, 2026

Approved By  
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Department**

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# STRENGTHENING DOMESTIC REVENUE MOBILIZATION FOR FISCAL RESILIENCE IN CAMEROON<sup>1</sup>

*Strengthening domestic revenue mobilization will be central to bolstering Cameroon's fiscal resilience. While recent reforms—particularly notable progress in modernizing tax administration, as reflected in the authorities' medium-term revenue mobilization strategy—have laid an important foundation, Cameroon continues to collect well below its tax potential, with a sizeable efficiency gap remaining despite recent progress. Closing this gap will require a sequenced package of tax policy and administration measures tailored to local context. International experience suggests that even modest early gains can help build momentum for deeper reforms, while comprehensive efforts may deliver substantial and lasting fiscal benefits. The scale and timing of these payoffs will ultimately depend on effective implementation of the authorities' reform agenda.*

## A. Introduction and Policy Context

**1. Cameroon stands at an important juncture in its public finance trajectory.** The authorities have a valuable opportunity to enhance fiscal resilience and create additional fiscal space for priority social and infrastructure investments. Recent macroeconomic developments show encouraging signs: growth has rebounded to 3.5 percent in 2024, and inflation is moving closer to the CEMAC convergence threshold. Ongoing security challenges may have constrained revenue mobilization in certain areas.

**2. Cameroon continues to face fiscal pressures, highlighting the importance of reinforcing revenue mobilization to sustain growth and preserve fiscal stability.** Public debt remains moderate at 43 percent of GDP, though debt service is projected to absorb about 17 percent of tax revenues over the next three years, which could weigh on budget flexibility. International evidence suggests that countries with tax-to-GDP ratios below roughly 15 percent often struggle to sustain core state functions and meet development objectives (IMF, 2025). The country is currently assessed at high risk of debt distress, as two key indicators—external debt service-to-revenue and external debt service-to-exports—exceed thresholds under the IMF's baseline scenario. Strengthening domestic revenue mobilization will be essential to rebuild fiscal buffers and ease constraints to borrowing at attractive rates as investors closely monitor liquidity risks to debt sustainability. While progress has been made, especially in revenue administration, as reflected in the authorities' medium-term revenue mobilization strategy, revenue performance remains modest: central government tax revenue reached 12.3 percent of GDP in 2024, compared to 11.5 percent a decade ago. The tax system continues to rely heavily on indirect taxes, particularly VAT, while direct and property taxes offer untapped potential. Tax expenditures and exemptions, as noted in recent analyses, also reduce the effective tax base.

**3. Objective and scope of the paper.** In light of these challenges, this paper examines options for strengthening domestic revenue mobilization to support fiscal sustainability and inclusive

<sup>1</sup> Prepared by Bahrom Shukurov, Islom Urolov, and Céline Thévenot.

growth, in alignment with the National Development Strategy 2020–2030 (SND30). It analyzes Cameroon’s tax revenue potential, reviews the fiscal cost and effectiveness of current tax expenditures, and develops reform scenarios that combine tax policy measures with revenue administration improvements. The approach draws on cross-country benchmarking and stochastic frontier methods to assess the tax revenue gap.

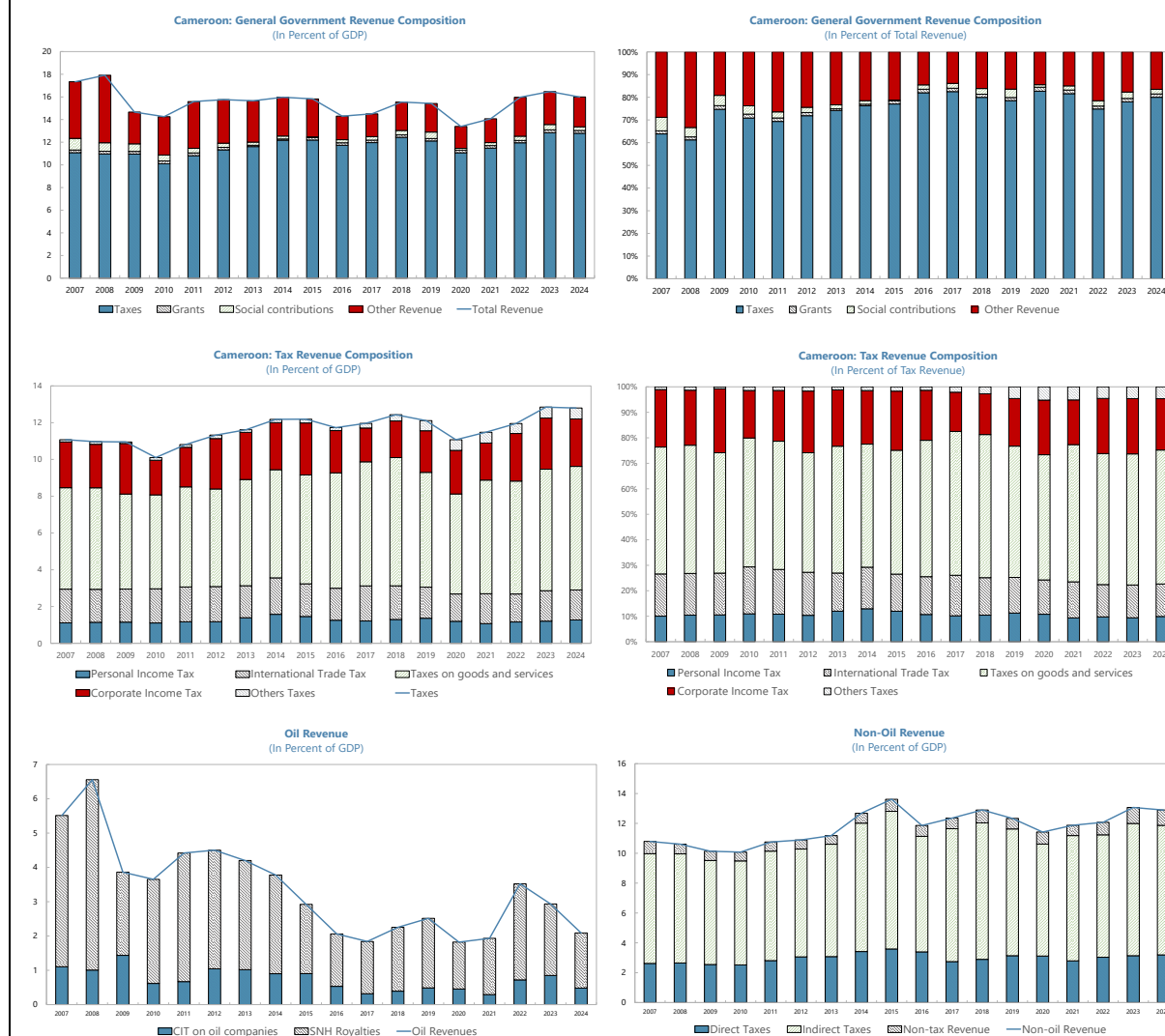
## B. Stylized Facts: Revenue and Fiscal Space

### Revenue Structure

**4. Cameroon’s revenue structure is predominantly based on tax revenues, with indirect taxes forming the largest share.** Taxes on goods and services—primarily value-added tax (VAT) and excise duties—account for the bulk, followed by international trade taxes and corporate income tax (CIT). Personal income tax (PIT) contributes a relatively small portion of total tax revenue. Over time, the shares of CIT and PIT have remained broadly stable, while trade taxes have declined modestly, consistent with Cameroon’s regional integration efforts and gradual tariff reductions. Contributions from grants and social contributions have been relatively limited. Other revenue sources, including royalties from the Société Nationale des Hydrocarbures (SNH)—Cameroon’s state-owned oil company—and non-tax revenues, have fluctuated over time, largely in response to changes in oil production and global price movements (Figure 1).

**5. This tax mix points to areas where Cameroon’s revenue system could be further strengthened.** The current reliance on consumption taxes suggests opportunities to broaden the base for direct taxation, while the relatively low PIT share reflects structural factors such as the size of the formal employment sector and ongoing administrative challenges. In addition, exemptions—particularly in VAT and investment regimes—reduce the effective tax base and limit revenue productivity, highlighting scope for rationalization over time.

**6. The decline in oil revenue has increased reliance on more stable non-oil sources, underscoring the importance of strengthening domestic revenue mobilization.** Oil-related revenue—including CIT from oil companies and SNH royalties—has fallen significantly since its peak in the late 2000s, reaching about 2 percent of GDP in 2024, mainly due to lower production and global price volatility. In contrast, non-oil revenue has remained relatively stable at 12–13 percent of GDP, with indirect taxes consistently providing the largest contribution (Figure 1).

Figure 1. Cameroon Government Revenue and Tax Composition Trends, 2007-24 <sup>1/</sup>

Source: IMF staff calculations based on the WEO data.

<sup>1/</sup> Total revenue consists of taxes, grants, social contributions, and other revenues. Tax revenue includes corporate income tax (CIT) collected from oil companies. Oil revenue comprises CIT from oil companies as well as oil royalties. Non-oil revenue includes tax revenue excluding CIT on oil companies, along with non-tax revenue.

## Fiscal Space Lens

**7. Although debt levels remain moderate, Cameroon's fiscal space is constrained by significant debt service obligations, which limits room for priority social and capital spending.** This context reinforces the importance of mobilizing additional domestic revenues. Without a substantial increase in tax collection, there is a risk that critical development priorities such as infrastructure, education, and health may not receive adequate funding. The SIP will examine reform scenarios, consistent with the authorities' medium-term revenue mobilization strategy, aimed at

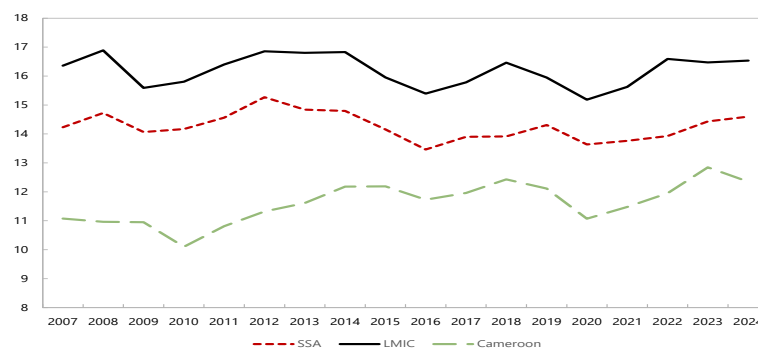
broadening the tax base, improving compliance, and rationalizing tax expenditures, thereby creating sustainable fiscal space.

## C. Tax Revenue Performance and Challenges

### Tax Revenue Performance

8. **Cameroon’s tax-to-GDP ratio remains relatively low, at about 12 percent of GDP on a central-government basis, compared to averages of around 15 percent for Sub-Saharan Africa (SSA) and 16 percent for lower-middle-income countries (LMICs), measured on a comparable coverage.**<sup>2</sup> While the gap with CEMAC narrowed after 2015—largely due to revenue declines in other member countries—Cameroon still collects several percentage points less than SSA and LMIC peers. This trend points to a structural revenue mobilization gap and highlights the importance of continued reforms to strengthen non-resource tax collection (Figure 2).

**Figure 2. Cameroon and Comparator Average: Tax Revenue, 2007–24**  
(In Percent of GDP)

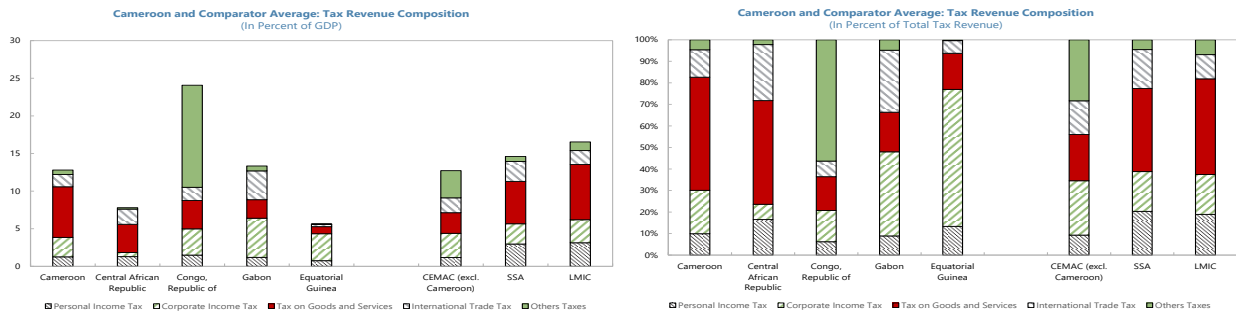


Source: IMF staff calculations based on the WEO data.

9. **Cameroon’s tax revenue structure differs from that of its peers, with notable composition gaps.** Taxes on goods and services account for about 6 percent of GDP, while PIT and CIT contribute approximately 1 percent and 2.5 percent, respectively (Figure 3). By comparison, SSA and LMIC peers typically collect a larger share from income taxes, often exceeding 6 percent of GDP combined. International trade taxes represent about 13 percent of Cameroon’s total tax revenue—below the SSA average (18 percent) but above LMIC levels (11 percent). This reliance on indirect taxes, together with relatively limited direct taxation, highlights opportunities to broaden the tax base and strengthen income tax contributions over time.

<sup>2</sup> Tax revenue in this analysis includes corporate income tax from oil and other commodity-exporting companies to ensure cross-country comparability, given limited data on disaggregated non-resource tax revenue. The tax-to-GDP ratio increases to around 14 percent of GDP when revenues collected by local governments following decentralization reforms are included. For consistency, both Cameroon and the SSA and LMIC benchmarks cited here are based on central government tax revenue only, consistent with the coverage used in Figure 2.

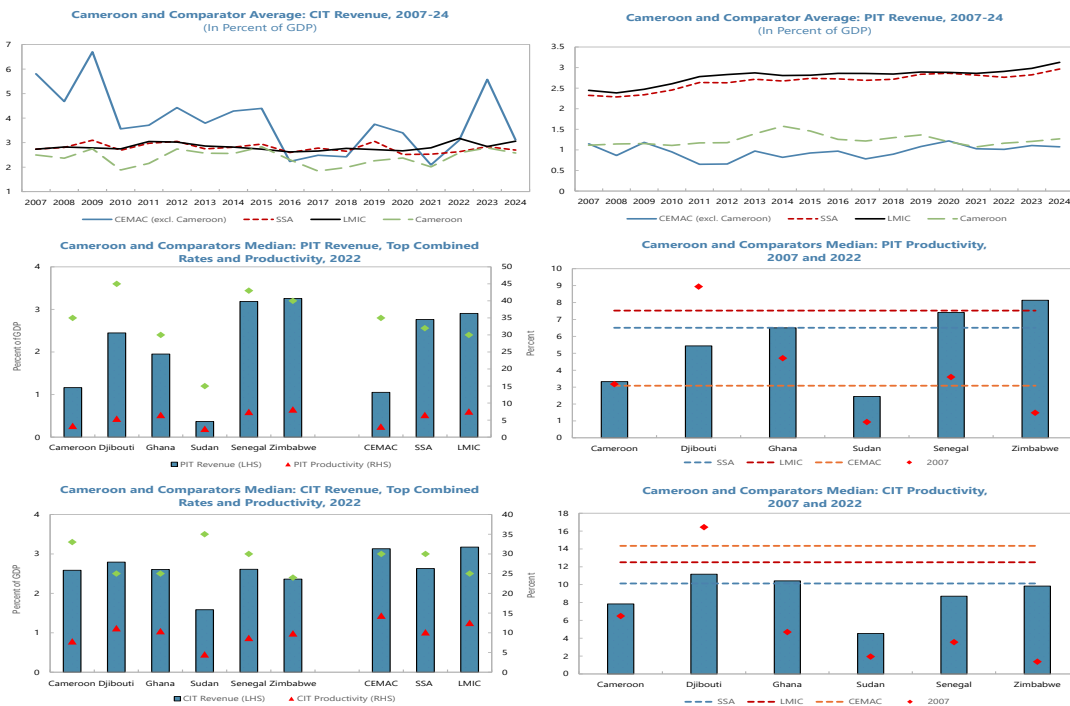
**Figure 3. Cameroon and Comparator Countries: Tax Revenue Composition, 2024**



Source: IMF staff calculations based on the WEO data.

**10. Income tax productivity in Cameroon remains relatively low, reflecting opportunities to strengthen both tax policy and administration.** Despite a 30 percent CIT rate, Cameroon’s CIT productivity—measured as CIT revenue divided by the product of the CIT rate and GDP—is about 0.08, compared to medians of 0.10 for SSA and 0.12 for LMICs (Figure 4). Similarly, PIT productivity stands at around 0.03, below peer medians of 0.06–0.07 for SSA and LMICs. These ratios suggest that Cameroon’s income tax system could perform better, given structural factors such as a narrow taxpayer base, multiple preferential regimes, and administrative capacity constraints that affect compliance.

**Figure 4. Cameroon and Comparator Countries: CIT and PIT Revenue, Rates, and Productivity <sup>1/</sup>**

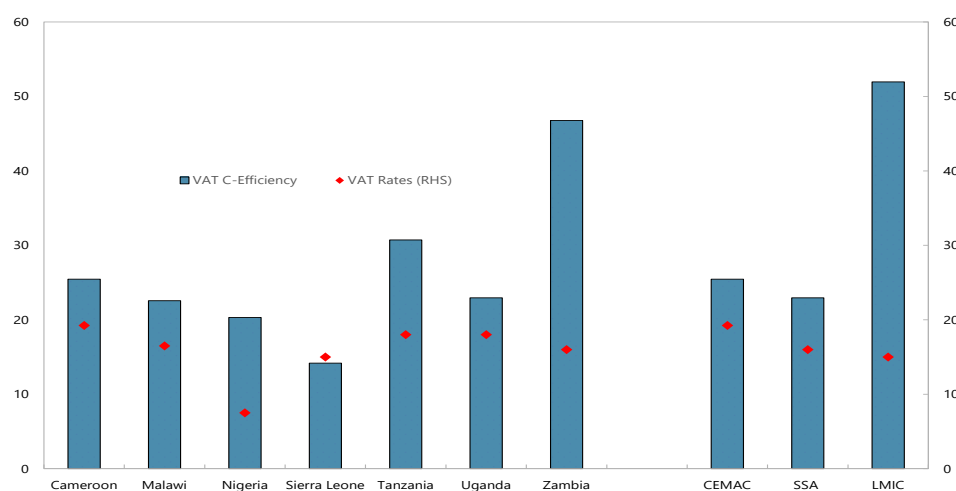


Source: IMF staff calculations based on the WEO data.

<sup>1/</sup> Comparators include SSA and LMIC medians, chosen to reflect Cameroon’s regional peers and countries at similar income levels.

**11. Cameroon’s VAT system demonstrates efficiency in line with regional standards, though there remains scope to move closer to best practice.** The VAT C-efficiency ratio—actual VAT revenue as a share of potential revenue based on the standard rate and total consumption—is around 25 percent, comparable to the CEMAC median and slightly above the SSA average (23 percent). However, it is still below the LMIC average of 52 percent and lower than high-performing African countries such as Zambia (47 percent) and Tanzania (31 percent) (Figure 5). Opportunities for progress include rationalizing exemptions and special regimes and strengthening compliance through better audit capacity and faster VAT refund processing.

**Figure 5. Cameroon and Comparators Median: VAT Productivity and Standard Rates, 2022**  
(In Percent)



Source: IMF staff calculations based on the FAD data.

## Tax Administration Achievements and Challenges

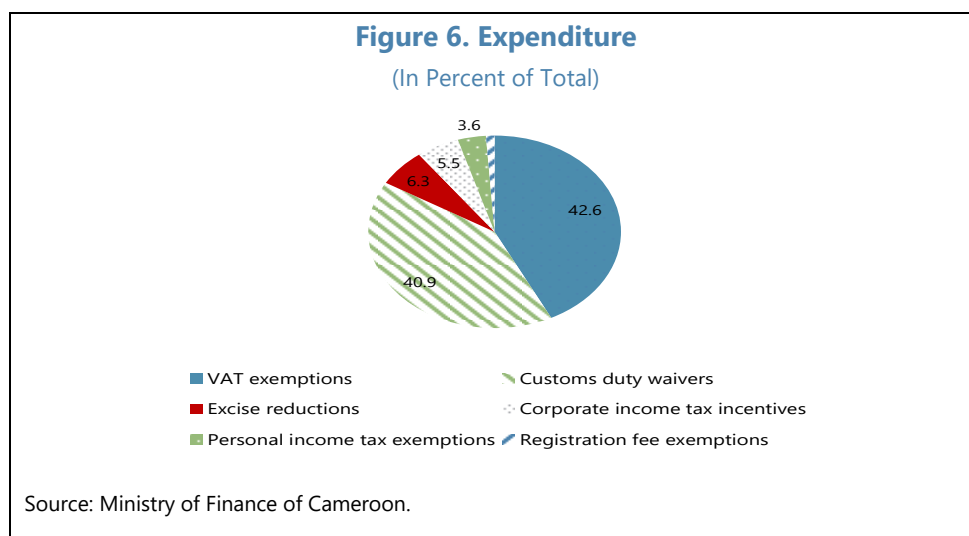
**12. Cameroon has made notable progress in modernizing tax administration under the 2023–25 Tax System Modernization Plan.** The authorities have rolled out, as part of their medium-term revenue mobilization strategy, mandatory e-filing, e-payment, and e-invoicing. Digital tools such as Harmony (taxpayer management system), One-Time Password (OTP) authentication for secure access, and E-Billing have enhanced taxpayer services and improved arrears management. The reforms have also helped expand the taxpayer registry, with VAT filers rising from 14,000 to 22,000 in 2024—an encouraging sign of improved coverage. The creation of a formal risk management committee and a three-year compliance plan has strengthened oversight, while automated cross-checking of third-party data and mobile payment options have supported compliance, particularly among SMEs.

**13. Operational challenges remain despite recent progress.** Filing compliance rates for VAT, CIT, and PIT are still below international benchmarks, particularly among smaller taxpayers. For example, VAT filing compliance was around 73 percent in 2024, compared to over 90 percent for large taxpayers, while CIT and PIT compliance are estimated to be lower. International best practice typically targets compliance rates above 90 percent across major tax types, highlighting the gap for

smaller taxpayers (TADAT Secretariat, 2025). Arrears older than 12 months continue to represent a notable share of outstanding liabilities, and past efforts to tackle them have delivered sizable revenues. For example, the government’s 2024 action plan targeted recovery of at least 15 percent of outstanding tax and customs arrears—starting with the largest 100 unpaid debts—and similar initiatives in previous years yielded gains of up to 1.5 percent of GDP from SOE arrears clearance. VAT refund processing is still largely manual, which can affect liquidity and confidence. In addition, audit quality control mechanisms are underdeveloped, leading to inconsistent enforcement and signaling opportunities to enhance taxpayer trust.

## D. Tax Expenditures: Fiscal Cost

**14. Tax expenditures in Cameroon aim to achieve important policy objectives, but their efficiency and targeting vary across instruments.** The 2024 Tax Expenditures Report estimates total tax expenditures at 1.8 percent of GDP and 14.1 percent of non-oil tax revenue. The rationalization of tax expenditures is a stated objective of the authorities’ medium-term revenue mobilization strategy. VAT exemptions account for the largest share, followed closely by customs duty waivers (Figure 6). However, many VAT exemptions—especially on food—remain poorly targeted: only 5–6 percent of the forgone revenue reaches the poorest households, while more than 40 percent accrues to the richest. Broad VAT exemptions often function as untargeted subsidies, suggesting that more targeted approaches—such as cash transfers or reduced VAT rates on essential goods—could deliver better equity outcomes at a lower fiscal cost. Similarly, corporate tax incentives—including generous CIT holidays and free zone regimes—have delivered mixed results. These measures have not always translated into significant new investment or job creation, as evaluations suggest that many firms benefiting from tax holidays might have invested regardless. Recent policy changes introducing new tax credits, allowances, rate reductions, and exemptions—while pursuing social or sectoral objectives—also highlight risks of further narrowing the tax base if such measures are not tightly targeted, time-bound, and systematically evaluated. International experience indicates that factors such as infrastructure, governance, and labor quality tend to rank higher among investor priorities than tax breaks, highlighting the need to reassess the role of fiscal incentives within a broader investment strategy (IMF, 2023; WB, 2024).

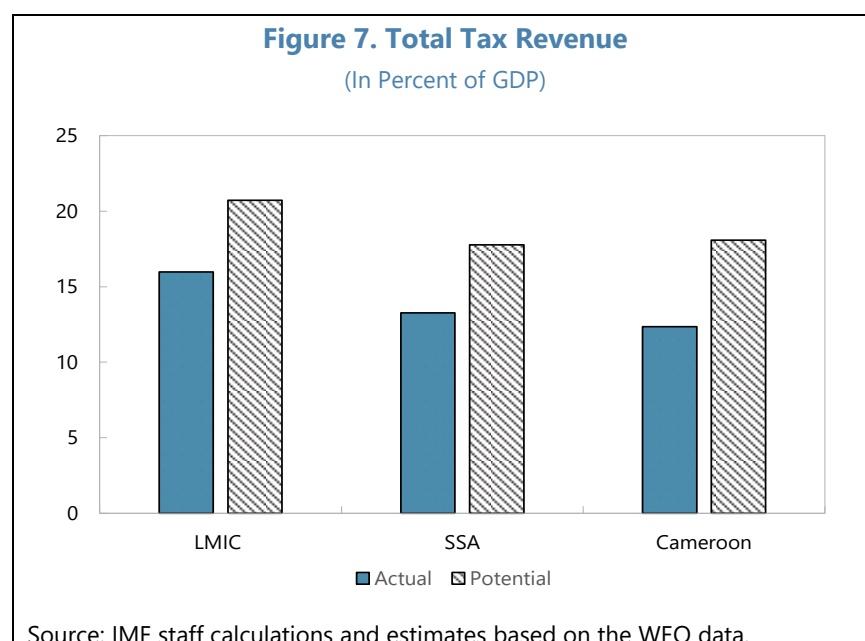


**15. Managing tax expenditures and special regimes presents ongoing opportunities for strengthening Cameroon’s fiscal system.** While the large number of exemptions and special regimes has added complexity to administration and compliance, recent efforts—such as the introduction of annual tax expenditure reports—have notably enhanced transparency. Many exemptions, however, have remained in place for extended periods without regular review or assessment of their effectiveness, including the extension of measures initially intended to be temporary, underscoring the need for clearly defined eligibility lists and beneficiaries and stronger monitoring of the destination of exempted goods. Building on these advances, there is scope to further refine monitoring practices, clarify policy objectives, and introduce systematic evaluations to ensure that tax expenditures are closely aligned with national priorities and deliver tangible benefits. The recent reform of the 2013 Investment Incentives Law marks a significant step toward rationalizing and streamlining incentives—eliminating CIT reductions in favor of tax credits and accelerated depreciation, limiting the duration of incentives, and clarifying eligibility and approval procedures. These changes are expected to contribute to reduced tax expenditures and improved administrative efficiency, supporting the evolution of a more effective and transparent fiscal framework. Overall, continued efforts will help ensure that incentives remain well-targeted, closely aligned with strategic priorities, and deliver meaningful benefits for Cameroon’s economy.

## E. Estimating Cameroon’s Tax Revenue Potential

**16. A stochastic frontier framework is used to benchmark Cameroon’s tax performance against the maximum revenue achievable under its structural characteristics.** The model is estimated on a panel of countries over 2000–2024 and includes Cameroon alongside structurally comparable peers, using data from the IMF (WEO October 2025), the World Bank (WDI and Informal Economy Database (Elgin et al, 2021), and Transparency International (CPI). It identifies a “tax frontier”—the tax-to-GDP ratio consistent with structural determinants such as economic composition, consumption patterns, financial depth, inflation, and reliance on natural-resource revenues—against which actual performance is assessed. Deviations from this frontier capture efficiency gaps stemming from weaknesses in tax administration, compliance, and policy design rather than temporary shocks. This approach helps isolate reform-relevant inefficiencies from structural constraints and provides a clear benchmark for assessing the scope to raise domestic revenues without altering underlying economic fundamentals (Annex I).

**17. Cameroon’s sizable shortfall between actual and potential tax revenue underscores persistent efficiency gaps.** The model estimates Cameroon’s tax potential at 18.1 percent of GDP in 2024, and applying Cameroon’s structural characteristics to the estimated coefficients indicates that most of the distance to this frontier reflects efficiency shortfalls rather than structural constraints. Although SSA and LMIC medians also lie below potential, the stochastic frontier is global—anchored by the best performers in the full sample—while the different potential values reflect differences in each group’s structural characteristics. In comparative perspective, Figure 7 shows that Cameroon’s gap of 6 percentage points of GDP is larger than the median gap in both SSA and LMICs, where differences between actual and potential collections are typically closer to 4 percentage points.



## F. Reform Scenarios: Policy and Administration Packages

**18. Cameroon has made progress in mobilizing tax revenue, yet collections remain below levels typically associated with sustainable development and strong state capacity.** Current revenues are still below this benchmark, highlighting the importance of a coordinated strategy — consistent with the authorities’ medium-term revenue mobilization strategy—that combines targeted policy measures with continued improvements in tax administration.

### Policy Levers: What Might Change

**19. One area with potential for reform is the VAT system.** Although VAT accounts for over 40 percent of tax revenues, its effectiveness is affected by exemptions and a complex rate structure. International experience suggests that narrowing VAT exemptions to a short list of basic food items, and considering more targeted support for vulnerable households—such as cash transfers—in place of broad VAT exemptions, could help balance revenue needs with equity and public acceptance (Warwick et al., 2021). As discussed earlier, Cameroon has already implemented mandatory e-filing and e-payment for all taxpayer categories, with near-universal adoption and coverage. However, the full rollout of mandatory e-invoicing—particularly as a compliance and audit tool for large and medium taxpayers—is still in progress, with the authorities prioritizing its expansion alongside greater system interoperability and real-time VAT monitoring. Further steps are needed to extend e-invoicing to all relevant segments, improve system integration, and streamline digital processes to maximize efficiency and compliance, while broader VAT policy reforms would be considered over the medium term. Moving toward a single standard rate and streamlining the refund process, which is currently slow and cumbersome, are approaches that have improved VAT performance in other countries.

**20. PIT and CIT also present opportunities for reform.** PIT collections remain modest, and the structure can place a heavier burden on salaried workers, while high standard deductions tend to benefit higher earners. CIT is similarly complex, with multiple rates, special regimes, and generous investment incentives that narrow the tax base. Possible approaches discussed in various contexts include simplifying PIT and CIT schedules, introducing a zero-rate threshold for PIT, and reducing the number of brackets to improve progressivity and compliance. Harmonizing tax rates for capital and rental income—potentially through a unified rate such as 15 percent—could help ensure consistent and equitable treatment across income categories. Other options include limiting special regimes and tax holidays to priority sectors, subject to sunset clauses and performance-based criteria, and consolidating all incentives within the tax code to enhance transparency—building on the authorities’ ongoing efforts to strengthen the governance and monitoring of tax incentives. Broader taxation of capital income, including dividends and interest, has also been considered as a way to address distributional concerns and reduce avoidance, while ensuring that formal sector wage earners are not further burdened (IMF, 2023; IMF, 2025).

**21. Excise taxes, though recently updated, remain a relatively modest source of revenue.** The current structure is complex, with multiple rates and exemptions, and enforcement can be challenging. Aligning excise policy with health and environmental objectives—such as gradually increasing rates on tobacco, alcohol, and sugary drinks in line with WHO recommendations, and introducing or strengthening carbon and environmental taxes—has been used in other countries to mobilize revenue while supporting broader policy goals, and aligns with the authorities’ broader emphasis on environmental taxation. Harmonizing rates between domestic and imported goods and leveraging digital tools to track excisable products are additional approaches that could help reduce leakage and curb smuggling.

**22. Property taxation in Cameroon remains underdeveloped, generating limited revenue relative to GDP.** The tax base is narrow, valuations are outdated, and enforcement capacity is constrained. Strengthening property taxation has been identified by the authorities as an important medium-term avenue to enhance domestic revenue mobilization, including to support the financing needs of decentralized local authorities. International experience shows that expanding the property cadaster and updating valuation standards—potentially using satellite imaging and GIS technology—can help broaden the base and improve equity; in Cameroon, the authorities’ strategy similarly emphasizes improving taxpayer registries and leveraging digital tools to strengthen the identification and taxation of property. Other approaches include implementing rental income withholding at source and strengthening enforcement mechanisms, with collaboration between central and local governments often seen as key to effective collection—a priority also reflected in the authorities’ emphasis on improving the yield of local taxation and coordination with decentralized entities (World Bank, 2020; IMF, 2025).

**23. Recent policy developments also point to some encouraging steps in the direction of base broadening.** In particular, initiatives such as taxing non-resident digital firms, broadening VAT bases, strengthening excises, expanding property taxation, and introducing environmental levies move in a revenue-positive direction and align with international best practice.

## Administration Levers: How to Deliver

**24. Modernizing tax administration is widely recognized as essential for achieving durable revenue gains, with digitalization at the core of this transformation.** Cameroon has made progress in e-filing and e-payment, though integration across systems and the use of data analytics remain limited. Authorities are strengthening interoperability between tax and customs systems, reflecting their medium-term focus on improving compliance, efficiency, and data-driven enforcement. The rollout of e-invoicing for VAT and large transactions—starting with large and medium taxpayers—is increasingly prioritized globally to strengthen audit trails and reduce fraud. As discussed above, Cameroon has established a risk management committee and compliance plan, and uses automated cross-checking to support compliance. Building on these foundations, further investment in advanced data analytics and risk-based compliance management—central elements of the authorities’ reform agenda—could help target audits and interventions more effectively, in line with international best practice. Integrating tax and customs data and improving the quality of the taxpayer registry could further facilitate cross-checking and compliance monitoring, including to address under-valuation risks and recent reductions in customs values for selected products (Aslett et al., 2024; IMF, 2025; TADAT Secretariat).

**25. Segmenting the taxpayer base by size and risk profile can support more targeted compliance strategies and efficient resource allocation.** Expanding Large and Medium Taxpayer Offices to cover significant taxpayers, implementing a unique taxpayer identification number, and developing compliance improvement plans for each segment are approaches that the authorities are actively pursuing, drawing on international experience. For the informal sector—which remains sizable—strategies combining simplified regimes for small enterprises with clear graduation paths to the standard regime as businesses grow could encourage formalization. Leveraging mobile money and digital platforms can make tax payments easier for informal and small businesses, consistent with the authorities’ emphasis on facilitating compliance. Shifting toward service-oriented compliance—through support and incentives for formalization—can help broaden the tax net over time (IMF, 2025; TADAT Secretariat).

## Phased Reform Roadmap and Revenue Impact

**26. A sequenced reform roadmap, consistent with the authorities’ medium-term revenue mobilization strategy, can provide Cameroon with a practical approach to balance early results with sustained progress and capacity building. The following phases illustrate possible options and their indicative revenue impact (Box 1):**

- **Quick Wins (Phase 1):** This phase would focus on strengthening non-oil revenue mobilization through the completion and deepening of reforms already underway prioritizing measures that are administratively feasible. Key actions include further rationalizing tax expenditures and accelerating digitalization to enhance compliance, transparency, and efficiency. Legal amendments could concentrate on eliminating obsolete VAT exemptions and expired or temporary tax incentives, thereby simplifying the tax system without undertaking a comprehensive redesign at this stage. At the same time, continued expansion of e-invoicing, improved integration across tax administration systems, and further streamlining of digital

processes—including greater use of real-time transaction monitoring—would strengthen audit trails and compliance management. Together, these measures are expected to deliver early revenue gains while reinforcing institutional credibility and building support for broader reforms. International experience suggests such measures may yield revenue increases of about 0.5 percent of GDP.

- **Core Package / Medium-term Reforms (Phase 2):** This phase would build on the early gains by broadening the tax base and further modernizing revenue administration. Priorities include gradually limiting VAT exemptions to a short list of essential goods and services in line with the CEMAC VAT Directive, advancing reforms in personal and corporate income taxes, and piloting property tax modernization in selected jurisdictions. These reforms seek to deepen the impact of earlier initiatives, address informality, and leverage digital technologies to improve efficiency, transparency, and equity—objectives emphasized in the authorities’ strategy. International experience indicates that such reforms, when adapted to local priorities, may yield additional revenue gains of around 2 percent of GDP. While broadening the VAT base and enhancing efficiency remain important objectives, it is equally vital that the strategic approach to VAT reform considers equity and fairness. International experience suggests that VAT systems can be made more progressive by carefully targeting exemptions and reduced rates to essential goods and services and by considering zero-rating or lower rates for these necessities (de la Feria and Swistak, 2024). Complementing VAT reforms with continued strengthening of direct taxes, including personal income tax, corporate income tax, and property tax, can further support a more balanced and equitable overall tax system.
- **Full MTRS / Comprehensive Reforms (Phase 3):** The final phase would involve expanding property tax reforms nationwide and deploying advanced analytics for compliance, consistent with the authorities’ medium-term strategy. This phase is particularly critical given Cameroon’s sizable efficiency gap. Addressing this shortfall requires a sustained, system-wide reform effort that consolidates earlier gains, institutionalizes best practices, and aligns tax reforms and administration improvements with broader governance and institutional objectives emphasized in the authorities’ strategy. Over time, broader base-broadening and modernization efforts—supported by improved digital infrastructure and data integration—would reduce reliance on high statutory rates and support the development of a more efficient, equitable, and resilient tax system. Experience from other countries suggests that comprehensive reforms of this nature, tailored to local context, could deliver the largest and most durable revenue impact—potentially up to 3-5 percent of GDP over several years.

### Box 1. What the Literature Says About Revenue Gains from Tax Reform

Adan et al. (IMF, 2023) find that targeted tax administration reforms—such as improving compliance, establishing Large and Medium Taxpayer Offices, and removing clearly unjustified exemptions—can yield rapid but modest revenue gains, typically in the range of 0.5 percent of GDP within 1–2 years. Benitez et al. (IMF, 2023) similarly report that early administrative and legal “quick wins” can lift collections relatively quickly, especially when part of a broader reform plan.

For more systematic, medium-term reforms, Amaglobeli et al. show that base-broadening measures in PIT, CIT, excises, and property taxes generally have stronger and longer-lasting revenue effects than rate changes alone, with gains of about 2 percent of GDP over 2–3 years. Acosta-Ormaechea et al. find that raising VAT revenue through higher C-efficiency—by reducing exemptions and improving enforcement—is more effective and growth-friendly than increasing the standard rate.

For comprehensive, institutionalized reform packages, Adan et al. show that sustained, economy-wide tax administration reform episodes are linked to revenue gains exceeding 3 percentage points of GDP by year 6 in several countries. Awasthi et al. highlight the significant revenue potential from property tax modernization, including cadaster and valuation upgrades. Benitez et al. document that holistic, institution-based approaches—sequencing policy, administration, IT, and legal reforms—are associated with larger and more durable revenue mobilization, with gains up to 5 percent of GDP over five years in some cases.

## G. Risks and Monitoring

**27. Implementing tax expenditure reforms involves risks—such as stakeholder resistance, reform fatigue, and capacity constraints—that require proactive management and clear communication to sustain progress.** As reflected in the authorities’ emphasis on formal risk management, transparency around objectives, consistent engagement, and demonstrating tangible benefits help build public trust and reinforce reform sustainability. Effective monitoring using key performance indicators (e.g., VAT C-efficiency, CIT and PIT productivity, tax expenditure outturns, e-filing and e-invoicing coverage, arrears, and liquidity) supports timely adjustments, and strengthens public confidence in the reform process. Regular governance reviews and structured reporting, as emphasized in the authorities’ monitoring and evaluation framework, strengthen transparency and public confidence in the reform process.

## H. Conclusion

**28. Cameroon’s path to fiscal resilience and inclusive growth will depend on its ability to mobilize greater domestic revenues in a sustainable and equitable manner.** The analysis in this paper highlights persistent efficiency gaps within the country’s tax system, but also significant opportunities to address them. While recent reforms, as reflected in the authorities’ medium-term revenue mobilization strategy, have laid an important foundation, recent policy developments highlight the need for continued vigilance. Significant potential remains—particularly through rationalizing tax expenditures, broadening the tax base, and modernizing tax administration. International experience suggests that a sequenced approach—starting with targeted quick wins

## CAMEROON

and advancing toward more comprehensive reforms, consistent with the authorities' reform trajectory—can help build momentum and deliver meaningful fiscal benefits over time. Realizing these gains will require effective implementation, strong governance, and continued stakeholder engagement.

## Annex I. Estimating Tax Potential

**The stochastic Frontier Model for Tax Revenue is Specified as:**

$$\ln(\text{TaxRev}_{it}) = \beta_0 + \beta_1 \ln(X_{it}) + v_{it} - u_{it}$$

where:

- $\ln(\text{TaxRev}_{it})$  is the natural logarithm of the tax-to-GDP ratio in country  $i$  and year  $t$ .
- $X_{it}$  is a vector of explanatory variables influencing tax capacity, including the share of agriculture in value added, broad money, final consumption expenditure, inflation and natural resource rents.
- $v_{it}$  is a two-sided symmetric error term capturing random shocks and measurement error. It is assumed to be independently and identically distributed as  $v_{it} \sim \mathcal{N}(0, \sigma_v^2)$ .
- $u_{it}$  is a one-sided, non-negative inefficiency term representing shortfalls in tax collection relative to the estimated frontier, reflecting factors such as tax evasion, exemptions, informality, and technical inefficiencies. The inefficiency term is allowed to vary systematically with governance and informality indicators, capturing cross-country differences in tax administration capacity. It is assumed to follow a truncated-normal distribution, allowing for country-specific heterogeneity in tax efficiency:  $u_{it} \sim \mathcal{N}^+(\mu, \sigma_u^2)$ .

True random effects are employed, allowing for time-invariant country heterogeneity that is assumed to be uncorrelated with the explanatory variables. Standard errors are clustered at the country level to account for serial correlation within countries. Time effects are controlled for using year dummy variables to account for common global shocks and trends affecting tax performance.

The stochastic frontier represents the maximum attainable tax-to-GDP ratio given a country's structural characteristics. Predicted values from the frontier provide an estimate of tax potential.

Tax Effort is computed as:

$$\text{Tax Effort}_{it} = \exp^{-u_{it}}$$

where values closer to 1 indicate higher efficiency in tax collection relative to potential.

**1. The estimated coefficients—reflecting structural relationships across the full country panel—largely align with economic intuition, reinforcing the credibility of the model's structure.** The results (Table 1) indicate that a higher share of agriculture in value added is associated with lower tax revenue, consistent with the difficulty of taxing this sector due to high

## CAMEROON

informality and extensive exemptions. Inflation is negatively associated with tax revenue, reflecting the erosion of real tax bases, lags in tax administration and collection, and the tendency for high-inflation environments to amplify compliance challenges. Final consumption expenditure is positively and significantly associated with tax revenue, reflecting the importance of consumption-based taxation such as VAT. The coefficient on financial deepening—proxied by broad money relative to GDP—appears negative, an empirical pattern that reflects characteristics of the sample rather than a structural relationship. In particular, several countries with relatively high broad-money ratios also exhibit low non-resource tax effort, which may drive the observed correlation.<sup>1</sup> Finally, the variance decomposition shows that inefficiency is the dominant driver of cross-country differences in tax performance, with an estimated  $\gamma$  close to one (0.995), indicating that most deviations from the frontier are attributable to revenue-collection inefficiencies rather than underlying economic fundamentals.

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<sup>1</sup> It is important to interpret the negative association between financial deepening—proxied by broad money—and tax revenue with caution. Broad money primarily reflects liquidity in the economy and may not fully capture the quality or depth of financial intermediation. In some contexts, increases in broad money may be driven by factors unrelated to formal financial development—such as monetary expansion or higher cash holdings—which do not necessarily facilitate tax collection. Robustness checks using alternative proxies for financial deepening (e.g., private-sector credit) and alternative model specifications yield similar qualitative results, but further research is warranted to disentangle these effects.

Table 1. Cameroon: Stochastic Frontier Model Estimates

Variables		Model	
Final consumption expenditure (% of GDP)		0.006*** (0.002)	
Inflation, consumer prices (annual %)		-0.0009 (0.001)	
Broad money (% of GDP)		-0.00005*** (0.000007)	
Agriculture, value added (% of GDP)		-0.03206*** (0.0032)	
Total natural resources rents (% of GDP)		0.00327 (0.0059)	
Constant		3.11*** (0.175)	
Year dummy_2	-0.083** (0.033)	Year dummy_14	-0.054 (0.043)
Year dummy_3	-0.088* (0.046)	Year dummy_15	-0.052 (0.042)
Year dummy_4	-0.078** (0.038)	Year dummy_16	-0.076* (0.043)
Year dummy_5	-0.095** (0.038)	Year dummy_17	-0.094** (0.046)
Year dummy_6	-0.061 (0.039)	Year dummy_18	-0.063 (0.044)
Year dummy_7	-0.046 (0.041)	Year dummy_19	-0.084* (0.046)
Year dummy_8	-0.052 (0.042)	Year dummy_20	-0.071 (0.046)
Year dummy_9	-0.038 (0.043)	Year dummy_21	-0.091** (0.045)
Year dummy_10	-0.012*** (0.042)	Year dummy_22	-0.051 (0.044)
Year dummy_11	-0.095** (0.042)	Year dummy_23	-0.036 (0.045)
Year dummy_12	-0.060 (0.043)	Year dummy_24	-0.056 (0.046)
Year dummy_13	-0.056 (0.042)	Year dummy_25	-0.067 (0.047)
Observations	2981		
Number of groups	138		
$\sigma_u$	3.28***		
$\sigma_v$	0.22***		
$\lambda$	14.6***		
$\gamma$	0.995***		

Note: Standard errors in parentheses: \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

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**Limitations:** As with any cross-country panel analysis, the results may be affected by data quality issues, measurement error, or omitted variables that are not captured in the model. Potential endogeneity between some explanatory variables and tax revenue cannot be fully ruled out. While the use of country and year effects, as well as robustness checks, helps mitigate these concerns, the findings should be interpreted as indicative rather than definitive. Future work could explore these limitations in greater detail.

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# UNLOCKING GROWTH IN CAMEROON: EASING FINANCIAL SECTOR CONSTRAINTS AND CLOSING INFRASTRUCTURE GAPS<sup>1</sup>

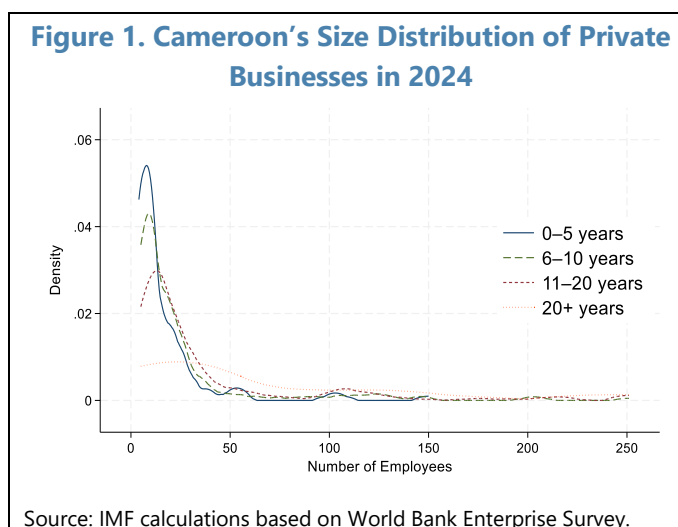
Cameroon's growth has been consistently below expectations and reflects structural constraints that limit private-sector development, including a shallow financial system, sizeable infrastructure gaps, and weak public investment efficiency. Access to finance and underdeveloped infrastructure are increasingly binding obstacles, keeping firms small and productivity low. Using firm-level evidence, cross-country benchmarks, and a panel regression for 88 economies, this Selected Issues Paper (SIP) documents these constraints and finds that, conditional on the model and historical cross-country relationships, closing Cameroon's gaps in financial development and infrastructure relative to the sample average is associated with substantially higher long-term income per capita—on the order of 28 percent. It also finds that even at current levels, improvements in efficiency could generate additional gains. The SIP outlines priority reforms to deepen financial intermediation, strengthen investment planning and execution, and accelerate infrastructure delivery to support Cameroon's convergence toward peer economies under the National Development Strategy 2030.

## A. Introduction

**1. Cameroon's growth has remained steady but modest for three decades.** Real GDP has expanded at an average of 2.8 percent since 1990, below the Sub-Saharan African (SSA) average of 3.4 percent. The prolonged period of modest growth explains the downward trend real GDP per capita growth exhibits since the mid-1990s, despite gradually slowing population growth. Between 2021 and 2024, real GDP per capita grew by only 0.8 percent per year on average, about half the pace recorded in the decade before the pandemic (1.3 percent).

By contrast, in SSA, GDP per capita growth in 2021–2023 was 18 percent higher than its 2010–2019 average.

**2. Against this background, business dynamism has been weak.** In productive economies, high-growth firms drive job creation and productivity gains by reallocating resources toward more productive uses (Haltiwanger, Jarmin, and Miranda 2013; Hsieh and Klenow 2009, 2014). In Cameroon, however, firms remain small throughout their lifecycle, with a size distribution heavily skewed toward micro and small businesses regardless of age (Figure 1). In 2024, 91 percent of

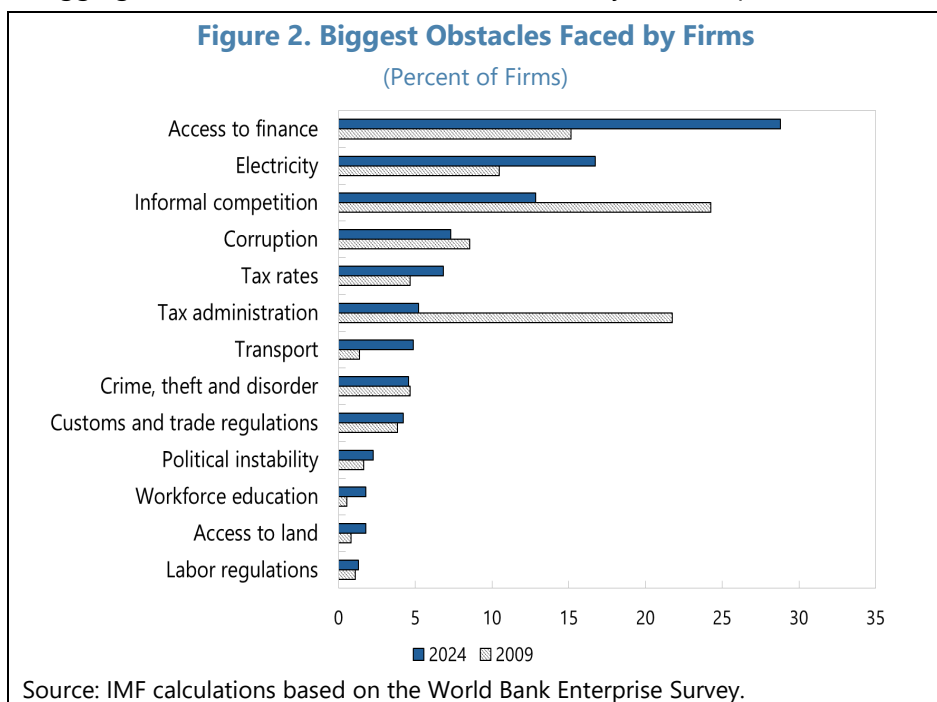


<sup>1</sup> Prepared by Andrea Atencio De Leon, Sampawende Jules Tapsoba, Céline Thévenot, and Du Prince Tchakote.

businesses employed fewer than 50 workers, and half of those had fewer than 10. The persistence of small firm size suggests limited scaling-up and weak competitive pressures, allowing low-productivity firms to survive despite modest performance. As a result, job creation, productivity gains, and resource reallocation are muted, constraining aggregate productivity growth and limiting private-sector-led growth.

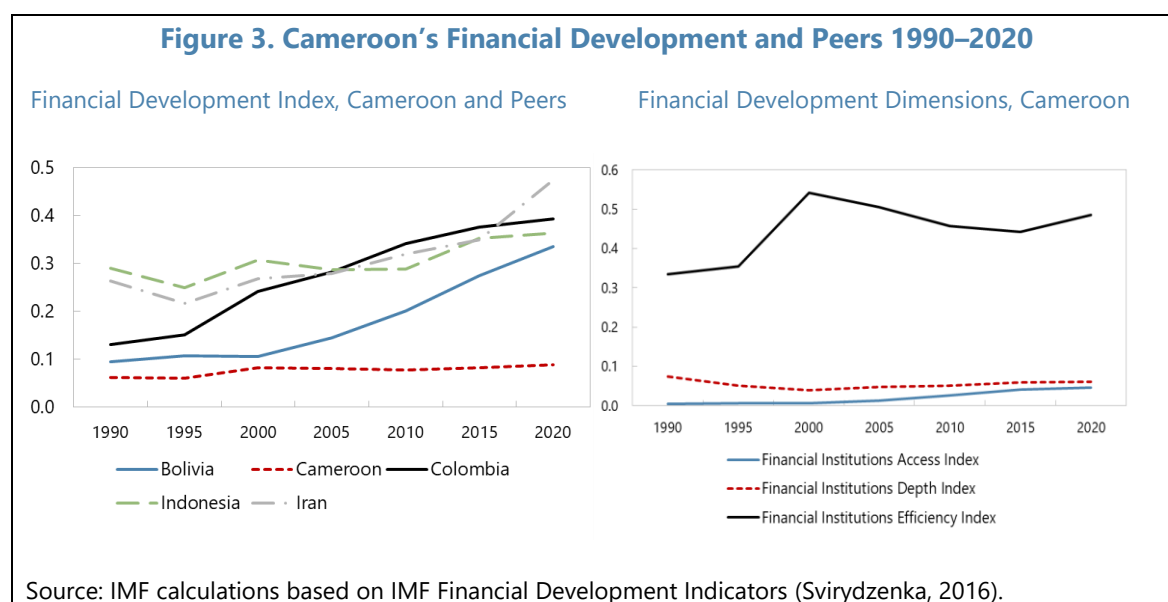
**3. Financial sector constraints and infrastructure deficiencies stand out as the main structural bottlenecks hindering private-sector-led growth.** Firm-level evidence from the World Bank Enterprise Survey shows a mark increase in the share of firms citing access to finance as their main obstacle—from 15 percent in 2009 to 29 percent in 2024—while those identifying electricity rose from 10 percent to 17 percent. A similar pattern holds for exporters, for whom access to finance and electricity are also the most frequently cited constraints, with rising incidence over time. The growing importance of financing constraints reflects an underdeveloped financial sector that limits firms’ ability to invest, scale up, and innovate, while the heightened prominence of electricity issues underscores persistent infrastructure gaps—driven by both low public investment and inefficiencies in public investment management. That exporters identify the same constraints highlights their economy-wide relevance and signals that addressing these bottlenecks is also paramount for improving Cameroon’s external competitiveness. At the same time, the sharp decline in the share of firms citing tax administration as the main obstacle is notable and suggests that targeted reforms in this area have delivered tangible improvements in the business environment.

**4. Growth opportunities in Cameroon lie in addressing the obstacles that most limit firms’ expansion.** This SIP therefore first documents the key facts behind Cameroon’s shallow financial development and lagging infrastructure and investment efficiency. It then quantifies the potential growth gains from closing these gaps using a cross-country panel fixed-effects regression. Finally, building on the evidence, it presents targeted policy recommendations to deepen financial intermediation, strengthen investment planning and execution, and accelerate infrastructure delivery. These steps aim to guide reforms that can unlock private-sector-led growth.



## B. Financial Sector Constraints Limit Access to Finance

**5. Cameroon’s growth and competitiveness are held back by a financial system that remains shallow, concentrated, and increasingly constrained by structural weaknesses.** Bank lending plays a central role in supporting investment and productivity. Deeper and more inclusive financial systems foster growth at low- and moderate-income levels (Levine 2005; Arcand, Berkes, and Panizza 2015). Yet Cameroon’s performance on standard measures of financial access and efficiency has stagnated over the past three decades, even as peer economies have made substantial advances (Figure 3). Private-sector credit has declined relative to GDP, banks predominantly provide short-term and high-cost financing, and sovereign exposure has expanded significantly—absorbing liquidity that could otherwise support productive investment. These frictions constrain firms’ ability to invest, scale, and innovate, reinforcing the weak firm growth dynamics documented in Section A. This section examines these constraints drawing on cross-country benchmarks and balance-sheet indicators.<sup>3</sup>



**6. Financial access and efficiency remain weak relative to peers.** Compared to economies that started from similar levels of private sector credit in the early 1990s—such as Indonesia (Asia), Iran (Middle East), as well as Bolivia and Colombia (Latin America)—Cameroon has made more limited progress in expanding access to formal financial services and improving intermediation efficiency. Access to financial institutions remains constrained for households and SMEs. Mobile money has expanded rapidly and significantly increased access to basic transaction services, supporting financial inclusion gains (IMF, 2024). However, this expansion has not yet translated into broader access to formal credit or longer-term financial products. Indicators of financial institution efficiency point to persistently high intermediation costs and information frictions.

<sup>3</sup> The benchmarking group has been selected based on countries whose domestic credit to the private sector in 1990 was within  $\pm 15$  percent of Cameroon’s level.

**7. Private sector credit in Cameroon has consistently been below expectations.** Over the past decade, private sector credit in Cameroon has trailed behind levels observed in comparable economies. In 2015, the ratio of private sector credit to GDP in Cameroon stood at 14.2 percent, approximately one-third of the average for other low-income Sub-Saharan countries, estimated at around 41.5 percent. Considering a longer-term perspective, the disparity becomes even more pronounced. Since the 1990s, Cameroon has not only failed to close the gap but has also experienced a contraction in private sector credit. The ratio of private sector credit to GDP fell from 26.4 percent in 1990 to 14.1 percent in 2023 (Figure 4), marking a clear downward trend in credit allocation to the private sector over more than three decades. In contrast, peer economies have all witnessed significant increases in private sector credit over this timeframe.

**8. Cameroonian banks primarily provide short-term financing with high credit costs.** At the end of 2024, total bank loans reached CFAF 6.7 trillion, equivalent to 20.2 percent of nominal GDP. The allocation of credit

within the private sector is highly concentrated, with banks primarily extending loans to large firms. Banks allocate about 90 percent of the loans to businesses, with large firms consistently receiving around 70 percent from 2021Q3 to 2025Q2. SMEs get 18 percent, while other borrowers, mainly consumers, receive approximately 12 percent (Figure 5a). Moreover, Cameroonian banks have a strong preference for short-term

loans. Approximately 90 percent of total credit is distributed as short-term loans, which are less than 2 years. In contrast, medium-term (between 2 and 10 years) and long-term credits (above 10 years) represent 8 percent and 2 percent of the total allocation, respectively (Figure 5b). Furthermore, the cost of credit in Cameroon is relatively high, and large firms receive rates that are below the overall average (Figure 5c). Credit offered by banks remains approximately 8.7 percent, which is  $3^{1/4}$  percentage points above the regional policy rate. Large firms typically receive lower rates than average, whereas SMEs tend to have rates that are higher. These financing patterns help explain the prevalence of persistently small firms discussed above and constrain the inclusiveness and productivity of private-sector growth.

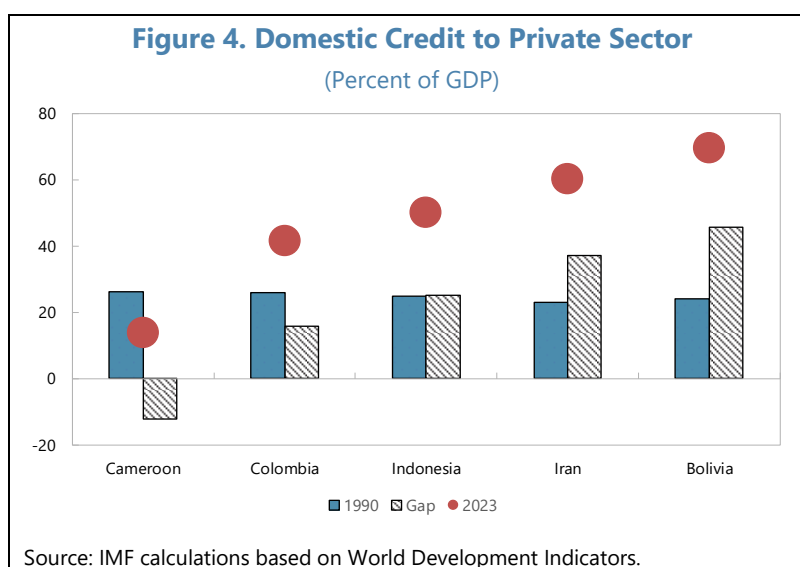
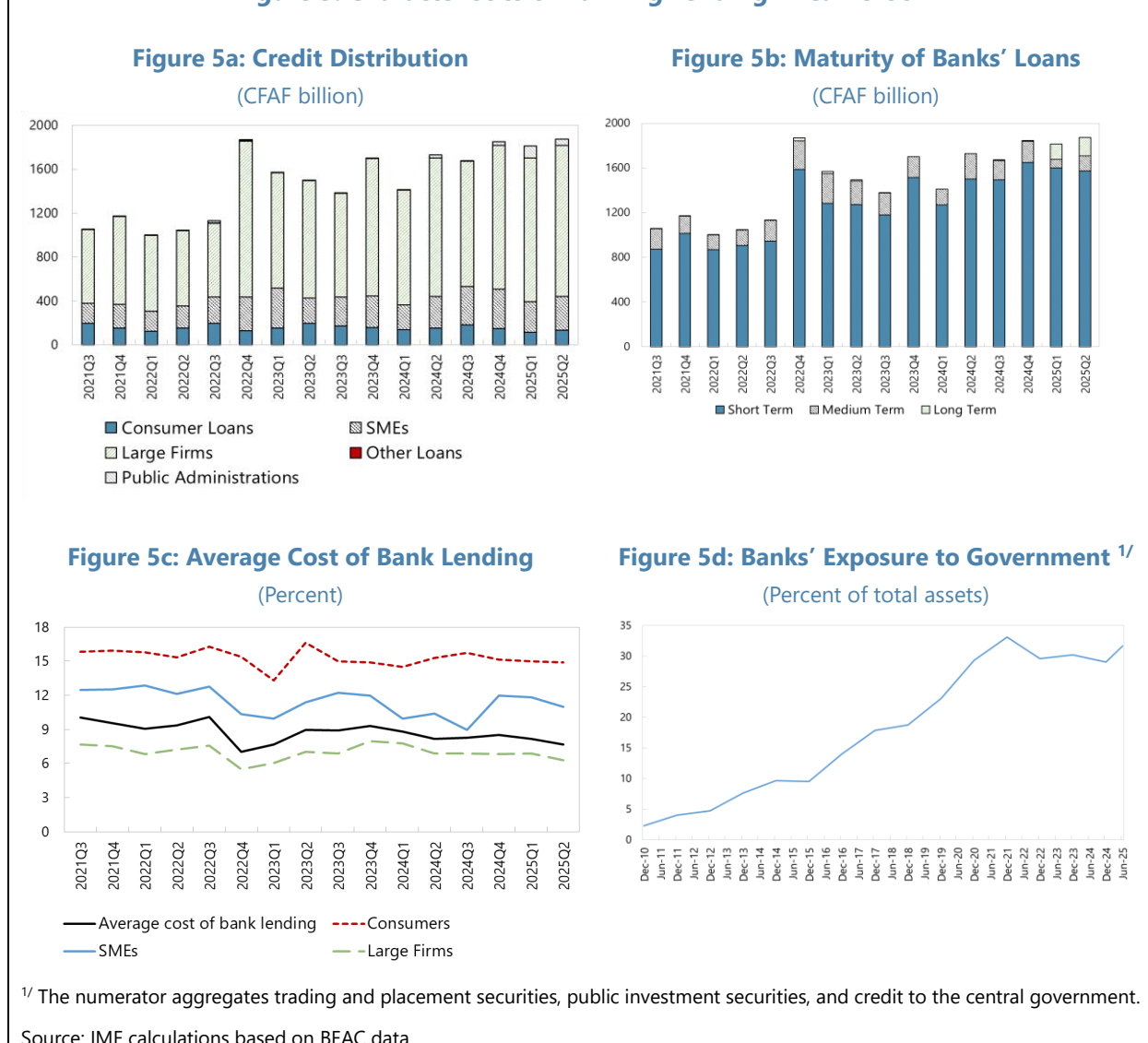


Figure 5. Characteristics of Banking Lending in Cameroon



## 9. Sovereign exposure remains significant, and NPLs stand at relatively high levels.

Cameroonian banks hold significant levels of sovereign assets. Over the past fifteen years, the sovereign-bank linkage has intensified, with the proportion of government-related assets—primarily government securities—increasing from 2.3 percent in 2010 to 33 percent in 2021, then stabilizing at about 30 percent (Figure 5d). A strong exposure to sovereign assets could impair banks' ability to extend credit to the private sector. Moreover, high NPLs continue to pose significant risks to the stability of the banking system. The proportion of non-performing loans (NPLs) in gross loans rose from 14 percent in December 2020 to 15.2 percent in March 2025, while the NPL coverage by provision improved from 76.5 percent to 87 percent over the same period (Figures 5a and 5b)<sup>4</sup>. A high and rising level of bank exposure to government-related assets, along with significant non-

<sup>4</sup> NPL indicators in the CEMAC region should be interpreted with caution, as supervisory capacity constraints—especially in loan classification and provisioning—may result in measurement gaps and underreporting of credit risks.

performing loans, may impose constraints on lending to the private sector and pose ongoing risks to financial stability.

**10. The evidence points to structural frictions that weaken financial intermediation.** The persistent concentration of credit in large firms and the dominance of short-term lending reflect banks' inability to adequately assess borrower risk and manage long-term exposures, leaving SMEs and innovative projects without financing to scale. High sovereign absorption of liquidity further crowds out private investment, while elevated NPLs amplify risk aversion and constrain credit supply. These dynamics reinforce shallow financial development and perpetuate low productivity. Addressing these frictions will require reforms that strengthen risk assessment frameworks, broaden credit information systems, and diversify financing instruments—measures that will be detailed in Section E to reorient financial intermediation toward productive sectors.

### C. Lagging Infrastructure and Investment Efficiency

**11. Cameroon's growth and competitiveness are also constrained by sizeable infrastructure gaps and persistent weaknesses in public investment.** Despite successive development strategies and episodes of higher capital spending, the country continues to rank low on international indicators of infrastructure quality. For instance, access to electricity remains limited, and road connectivity is significantly below regional and peer benchmarks. Public investment has fluctuated over time and has often been accompanied by under-execution of capital budgets, project delays, and high costs. This section documents these infrastructure and investment efficiency challenges, focusing on electricity, roads, and the level and efficiency of public investment.

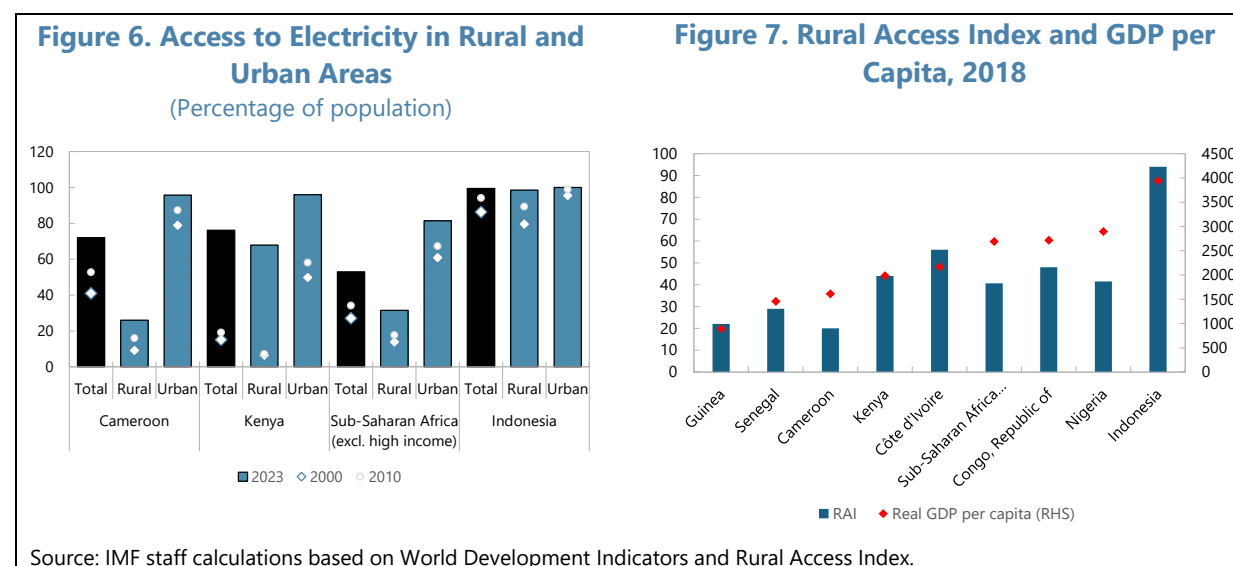
**12. Infrastructure development has not kept pace with ambitions or peers despite successive strategies.** Cameroon's overall infrastructure quality ranking stood at 129th out of 186 countries in 2023, well below Kenya (56th) and Indonesia (27th)<sup>5</sup>. Over the past decade, the authorities have sought to accelerate infrastructure provision through the 2035 Vision, the Growth and Employment Strategy Paper (GESP 2010–20), and the National Development Strategy 2020–30 (SND30), with a strong emphasis on transport and electricity. During the GESP period, several major projects were launched<sup>6</sup>. SND30 set more ambitious targets for expanding electricity generation capacity and the road network. However, progress has often been slower than planned, with delays in project execution and gaps in complementary infrastructure (IMF, 2017).

**13. Electricity access and reliability remain limited, and road connectivity and quality are weak by regional and peer standards.** Electricity access and reliability remain particularly limited in rural areas (Figure 6). Although substantial investments since 2016—most notably through the Memve'ele and Nachtigal hydropower plants—have expanded generation capacity, deficiencies in the transmission system and delays in supporting infrastructure have limited the effective integration of new capacity. Road connectivity and quality exhibit similar weaknesses. Only 20 percent of the population lives within 2 kilometers of an all-season road, well below the Sub-

<sup>5</sup> Kenya and Indonesia are used as comparators as they had GDP levels within  $\pm 15$  percent of Cameroon's level in 1990.

<sup>6</sup> Major projects included selected road rehabilitations, hydropower plants (Memve'ele, Lom Pangar, Nachtigal), port infrastructure at Kribi and Douala, urban water supply investments, and the national broadband backbone.

Saharan Africa average of 41 percent (Figure 7). The condition of the network is also a concern: only 22 percent of roads are in good or fair condition. Weak feeder roads constrain rural mobility and the integration of remote areas into national and regional markets, and poor road conditions contribute to lower travel speeds and congestion. Logistics performance along key corridors to Chad and the Central African Republic—important for Cameroon’s role as a regional transit hub—remains characterized by high transport costs and long transit times.

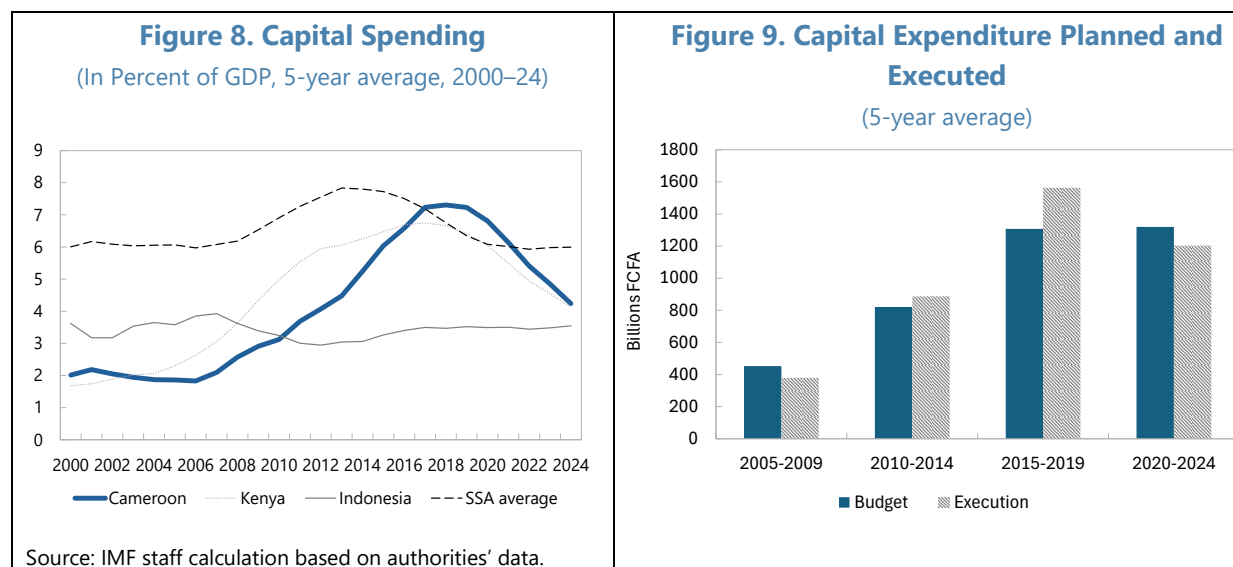


**14. Digital connectivity has improved, but important gaps remain, particularly in fixed broadband.** Mobile cellular subscriptions have risen steadily over the past two decades and now exceed 90 per 100 people, reflecting widespread access to basic mobile services. While broadly in line with regional trends, penetration has grown more slowly than in peer economies, which reached about 120 subscriptions per 100 people in 2023. Fixed broadband penetration remains low—at about 2.2 subscriptions per 100 people in 2023—below peer countries such as Kenya and Indonesia and the regional average. Broadband infrastructure is concentrated in major urban centers, and high costs, limited backbone coverage, and reliability challenges constrain wider adoption. These weaknesses limit firms’ ability to integrate digital technologies, access online markets, and raise productivity, particularly outside large cities.

**15. Public investment has been volatile and constrained by weaknesses in budget execution.** Capital spending has lagged the Sub-Saharan Africa average since the early 2000s (Figure 8). Beginning in 2011, public investment increased during the GESP implementation, reaching about 6 percent of GDP in 2018—slightly above the regional average. This increase accelerated the pace of contracting new loans and exceeded implementation capacity, which likely contributed to inefficiencies<sup>7</sup>. Since 2018, efforts to rationalize expenditure and contain the non-oil primary deficit have led to a decline in capital spending in Cameroon despite efforts to prioritize it (IMF, 2018). At the same time, budget execution has been weak: between 2021 and 2025, execution

<sup>7</sup> Literature documents that scaling up too quick and too fast while expanding public investment can fill infrastructure bottlenecks. Gurara, D., Kpodar, K., Presbitero, A. F., and Tessema, D. (2021). On the capacity to absorb public investment: How much is too much? *World Development*, 145, 105525.

rates averaged 89 percent, reflecting shortcomings in planning, procurement, and project management (Figure 9). Limited fiscal space, spending overruns in other categories, and cash management constraints have contributed to these shortfalls.



**16. Foreign-financed investment has accounted for most of the recent decline in capital expenditure.** Between 2018 and 2025, about 80 percent of the contraction in capex reflected lower execution of externally financed projects. Implementation delays have been linked to complex procedural requirements, lengthy approval and disbursement timelines, and compliance with multiple regulatory standards. Limited provision of counterpart funds has also delayed the disbursement of external loans and grants, leading to postponements or cancellations of projects. Additional bottlenecks include administrative delays between project approval and effectiveness, capacity constraints in project management units, slow land acquisition and resettlement processes, and security challenges in conflict-affected regions.

**17. Spending efficiency is also weak, limiting the impact of the resources deployed.** Cameroon's efficiency gap relative to the best-performing countries is about 41 percent, broadly comparable to the Sub-Saharan Africa average of 44 percent (IMF, 2025a). While Cameroon ranked among the region's stronger performers between 2005 and 2015, its distance from the efficiency frontier has widened since then, placing it around the middle of the SSA distribution. These aggregate indicators point to substantial scope for improving the effectiveness of capital spending, and project-level evidence reinforces this assessment. A 2018 World Bank report found that the cost of five major infrastructure projects in Cameroon was two to six times higher than for comparable projects elsewhere. Likewise, an assessment of 20 major investments implemented between 2012 and 2020 showed that roughly three quarters experienced delays of at least two years (IMF, 2025b).

**18. Weaknesses at different stages of the investment cycle contribute to the efficiency gaps.** In the preparation phase, shortcomings in programming, project selection, and budgeting have resulted in insufficiently prepared projects moving into execution. During implementation, delays related to procurement, land acquisition, and contract management are recurrent. Coordination challenges across related projects have also reduced returns; for example, delays in

completing transmission infrastructure have limited the timely use of new generation capacity from projects such as Nachtigal. Taken together, these patterns indicate that both the level and the efficiency of public investment are important for closing Cameroon’s infrastructure gaps.

**19. The evidence points to infrastructure gaps and investment-efficiency challenges that cut across sectors.** Weaknesses in preparation, execution, and coordination—combined with limited fiscal space and recurring under-execution—have slowed progress in expanding and upgrading infrastructure. Section E will present policy options to strengthen investment planning and execution and improve the quality and impact of public spending.

## D. Estimating Growth Gains from Financial and Infrastructure Improvements

**20. This section assesses the long-term growth payoffs from strengthening financial development and infrastructure in Cameroon.** The analysis estimates the average within-country effect of sustained improvements in financial development and infrastructure on real income per capita using a panel of 88 economies over 1995–2020 (Annex I). Specifically, the following country–fixed-effects model is estimated:

$$\ln(GDPpc_{it}) = \alpha_i + \beta_1 Finance_{it} + \beta_2 Infrastructure_{it} + \gamma' X_{it} + \varepsilon_{it}$$

where  $\ln(GDPpc_{it})$  is the natural logarithm of real GDP per capita (PPP) for country  $i$  in year  $t$ ;  $\alpha_i$  captures unobserved time-invariant country characteristics; and  $X_{it}$  is a vector of structural and macroeconomic controls including human capital, demographics, trade openness, terms of trade, inflation, and geography and natural resource indicators<sup>8</sup>. Infrastructure and financial development variables enter as five-year averages to capture medium-term structural conditions rather than short-term fluctuations. Robust standard errors are clustered at the country level.

**21. Cameroon’s status as a fragile and conflict-affected state provides relevant context for interpreting the results.** While the empirical specification explicitly controls for conflict, and country fixed effects absorb time-invariant structural characteristics, the estimated coefficients reflect average within-country relationships across a broad sample. As such, they capture the long-run association between sustained improvements in financial development and infrastructure and income levels, abstracting from country-specific implementation dynamics.

**22. Closing financial sector and infrastructure gaps could significantly raise Cameroon’s long-run income per capita<sup>9</sup>.** Countries with higher access to finance and better infrastructure are associated with higher long-run income levels, controlling for other fundamentals (Table 1).

<sup>8</sup> All explanatory variables are introduced with lags or multi-year averages to mitigate endogeneity concerns and capture medium- to long-term effects. Human capital variables enter with a five-year lag to reflect delayed impacts on productivity and income. Trade and infrastructure indicators are expressed as five-year averages to smooth short-term volatility and cyclical fluctuations. Inflation and population growth are lagged one year to account for contemporaneous feedback with output. Financial development indicators are also included as five-year averages to reflect the gradual nature of institutional and access improvements.

<sup>9</sup> *Long-term* refers to the steady-state relationship estimated from a panel of 88 economies over 1995–2024, based on five-year averages that capture medium-term structural conditions rather than short-term dynamics.

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Applying the estimated coefficients to Cameroon's current gaps suggests that *sustained* improvements toward peer-average levels could yield sizable income gains over the long term. Closing the electricity access gap alone would be associated with an increase in income per capita of about *11 percent*, reflecting Cameroon's electricity access rate being *19.2 percentage points* below the sample average<sup>10</sup>. Similarly, narrowing the 0.31 shortfall in the financial institutions access index is associated with a long-run income gain of about *17 percent*. Jointly, improvements in electricity and financial access imply potential long-term income gains of around *28 percent*, as Cameroon converges toward the peer average.

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<sup>10</sup> In 2024, 68.2 percent of Cameroon's population had access to electricity, compared with a sample average of 87.4 percent.

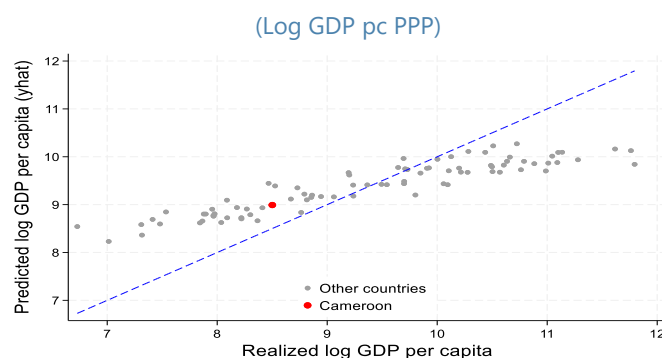
**Table 1. Cameroon: Regression Results: Financial Development, Infrastructure, and Income per Capita**

<b>Outcome: ln (GDP pc PPP)</b>	
<b>Financial Development /1</b>	
Financial institutions access	0.545*** (0.157)
Financial institutions efficiency	0.484** (0.194)
<b>Infrastructure /1</b>	
Electricity access (% of pop)	0.006*** (0.002)
Mobile cellular subscriptions (per 100 people)	0.001** (0.001)
Fixed broadband subscriptions (per 100 people)	0.007*** (0.002)
<b>Controls</b>	
Human capital	Yes
Population growth	Yes
Macroeconomic fundamentals	Yes
Cyclical and temporary factors	Yes
Number of economies	88

1/ Unless otherwise specified, all variables are expressed as five-year averages. (2) Robust standard errors in parentheses, clustered at the country level. (3) \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . (4) Controls include human capital variables: primary completion and secondary enrollment, both lagged five years. Population growth lagged in one year. Macroeconomic fundamentals: trade openness (X+M as % GDP) and terms-of-trade growth, five-year averages; inflation, lagged one year. Cyclical and temporary factors: natural disaster, oil exporter and conflict dummies.

Source: IMF staff calculations.

**23. Cameroon's income is below the level implied by its fundamentals.** Beyond gaps in observable structural indicators, the empirical model suggests that Cameroon's actual income per capita in 2024 is about 6 percent below the level predicted by observable fundamentals (Figure 10). This conditional gap should be interpreted as a *model-based benchmark*, capturing factors not explicitly included in the regression. In this sense, given its current levels of

**Figure 10. Predicted versus Realized GDP per Capita in 2024**

Source: IMF staff calculations.

infrastructure and financial development, Cameroon attains lower income than the average economy in the sample, after controlling for human capital, demographics, conflict, and macroeconomic conditions. The residual reflects potential efficiency constraints, such as weaknesses in policy implementation, regulatory effectiveness, governance, or resource allocation.

**24. Structural improvements in financial development and infrastructure could yield sizable long-term income gains for Cameroon, but realizing these gains will depend on implementation capacity.** While closing observable gaps could deliver substantial income dividends over time, the additional shortfall between actual and predicted income highlights the role of policy execution, regulatory effectiveness, and broader efficiency constraints—challenges that are particularly salient in fragile and conflict-affected settings. These findings point to a dual reform agenda: strengthening financial sector access and efficiency, and accelerating infrastructure development, *while* simultaneously addressing institutional and operational bottlenecks to ensure that higher inputs translate into durable income gains. The next section outlines concrete policy priorities to close these gaps and enhance the growth impact of financial sector and infrastructure reforms.

## E. Policy Advice

### Policy Recommendations to Unlock Financial Intermediation

Building on the evidence of structural frictions outlined in Section B, this subsection sets out policy priorities to strengthen banking soundness, improve risk assessment, and expand access to finance—critical steps to reorient financial intermediation toward productive investment and unlock the long-term growth gains estimated in Section D. These priorities are aligned with the authorities’ medium-term reform agenda, including the National Financial Sector Development Strategy (2024–2030) and the National Financial Inclusion Strategy. This section emphasizes the reforms most critical for unlocking private credit and maximizing growth dividends, with particular emphasis on implementation, sequencing, and binding constraints. Achieving these objectives will require coordinated action on both the supply and demand sides of the credit market.

#### *1. Strengthen Banking Soundness and Reduce Sovereign Absorption*

High sovereign exposure and elevated NPLs constrain banks’ ability to lend to the private sector. Reducing these pressures calls for:

- **Fiscal strategy** to lower reliance on domestic banks for deficit financing and ease rollover risks.
- **Diversification of the investor base for government securities** toward non-bank actors such as insurers and pension funds, complemented by development of longer-term instruments and secondary markets.
- **Recapitalization of banks and stronger regulatory oversight** to bolster resilience and mitigate sovereign-bank linkages, including meeting regional financing needs within CEMAC.
- **Promoting savings and long-term investment vehicles** such as longer-term insurance and pension products to support risk-sharing and reduce dependence on short-term funding.

## 2. Improve Risk Assessment and Credit Infrastructure

The dominance of short-term lending and concentration of credit in large firms reflects banks' limited ability to evaluate SME risk and manage long-term exposures. Key measures include:

- **Finalizing the establishment of a credit bureau, SME balance sheet database, and payment incident registry** to improve transparency and reduce information asymmetries, helping curb NPLs and strengthen financial stability.
- **Modernizing collateral registries and promoting credit enhancement mechanisms**, enabling SMEs to access longer-term financing.
- **Accelerating deployment of financial platforms and digitalization of services** to lower transaction costs and broaden outreach.

## 3. Expand Financial Access and Inclusion

Demand-side reforms are also critical. As shown in Section D, financial access is a key channel through which financial development supports growth. Cameroon's financial inclusion strategy (2023–2027) provides an important foundation in this area, priorities below emphasize implementation gaps and complementary measures needed to scale up impact:

- **Promoting financial literacy and consumer protection**, particularly for SMEs, micro-enterprises and individuals.
- **Supporting innovation and digital finance**, including mobile banking and fintech solutions, to reach rural and informal sectors.
- **Developing alternative financing channels** beyond banks, such as leasing, factoring, and venture capital, to diversify sources of credit.

## 4. Targeted Support for SMEs

Consistent with the authorities' SME and private-sector development agenda, SMEs remain central to private-sector dynamism and a more inclusive growth trajectory, yet continue to face structural barriers to finance. Policy priorities should:

- **Operationalizing the SME collateral fund (Fonds de Garantie aux PME)** and expand guarantee schemes.
- **Strengthening SME–large firm linkages** through regulations on payment deadlines and subcontracting practices.
- **Encouraging supplier credit and diaspora financing**, as outlined in the SND-30 roadmap, to mobilize additional resources.

## 5. Institutional and Operational Reforms

- **Reforming State-owned financing institutions** to make public intervention more effective and reduce fiscal risks. For example, transform Crédit Foncier du Cameroun (CFC) into a mortgage financing fund and convert the SME bank (BCPME) into a guarantee fund for SMEs.
- **Streamlining foreign exchange procedures** to reduce delays and facilitate access to foreign currency for businesses in need.

Effective implementation of regulation-related measures will require close coordination with regional institutions responsible for banking regulation and supervision, reflecting Cameroon's membership in the CEMAC monetary union.

## Policy Recommendations to Boost Public Investment Efficiency

Building on the evidence of infrastructure gaps and inefficiencies highlighted in Section C, this section sets out policy priorities to strengthen public investment and public finance management—through better planning, project preparation, procurement, and budget execution—to create fiscal space and ensure that capital spending translates into effective infrastructure.

### 1. Create Fiscal Space and Improve Budget Execution

Persistent under-execution of capital budgets and spending overruns in current expenditure have crowded out resources for investment. Key measures include:

- **Reprioritizing budget allocations** toward capital spending by curbing inefficient spending and limiting exceptional spending procedures.
- **Strengthening cash planning and multiannual budgeting** to reinforce cash management and ensure timely availability of counterpart funds to optimize externally financed projects.
- **Enhancing budget transparency and control of extrabudgetary spending** to safeguard fiscal discipline and maintain space for priority infrastructure.

### 2. Strengthen Public Investment Management Across All Stages *of the investment process: planning, maturation, implementation and monitoring and evaluation.*

While the planification stage is now relatively stronger thanks to recent efforts, weaknesses remain in the execution phase, especially in the capacity to project spending on a pluriannual basis.

**Priorities should include:**

- **Translating the National Development Strategy (NDS30) into a prioritized investment strategy**, supported by a Medium-Term Expenditure Framework and a clear expenditure trajectory. This 2020 PIMA mission recommendation seeks to ensure proper *planning* and involves preparing a priority investment budget (BIP) made up of key projects, estimating their costs, and prioritizing them within existing budgetary instruments.

- **Operationalizing the revised Maturation Decree (2025)** by issuing detailed guidelines on thresholds and requirements for small, medium, and mega projects. The publication of this decree marked a significant improvement for the *maturation* stage.
- **Streamlining procurement processes and oversight mechanisms**, reducing duplication and clarifying responsibilities among control bodies based on risk analysis. With strong guidelines of the Maturation Decree, the rules for coordination of large and mega projects could be further clarified. Reviewing and streamlining regulations, processes, and stakeholders can help to reduce delays, costs, and management and budgetary risks at every stage of public investment management, especially those related to public procurement.

### 3. Enhance Transparency and Digitalization *to tackle bottlenecks in execution*

**Improved transparency and data systems are critical for *monitoring* and *evaluation*. Actions comprise:**

- **Consolidating investment project information** through reliable databases and integrate physical and financial progress tracking. The database on investments projects implemented in 2019 could help in this direction and strengthen the link with budgetary process.
- **Interconnecting COLEPS (e-procurement system) with Pridesoft** to strengthen transparency in tender publication, contract awards, and execution.
- **Leveraging IT platforms** for project appraisal and performance audits to ensure cost savings and accountability.

### 4. Accelerate Infrastructure Development and Maintenance

**Infrastructure gaps in electricity, roads, and digital connectivity remain binding constraints on competitiveness. Policy actions should include:**

- **Prioritizing completion of ongoing energy and transport projects**, ensuring timely delivery of complementary infrastructure such as transmission lines.
- **Improving road connectivity and logistics performance**, particularly along regional corridors, while expanding rural access through feeder roads.
- **Institutionalizing maintenance budgeting and asset management systems** to safeguard the durability of public investments.

## F. Conclusion

**25. Cameroon has an opportunity to accelerate growth and improve living standards by addressing structural bottlenecks in finance and infrastructure.** Reforms to deepen financial intermediation and strengthen public investment efficiency can unlock private-sector dynamism and enhance competitiveness. Expanding access to credit, improving risk assessment, and reducing sovereign absorption of liquidity will enable firms to invest and innovate. At the same time, closing

infrastructure gaps and institutionalizing efficient investment processes will reduce costs and improve connectivity.

**26. The potential gains are substantial.** Empirical estimates suggest that narrowing financial and infrastructure gaps could raise long-term income per capita by 28 to 45 percent. Moreover, Cameroon's income remains below the level implied by its fundamentals, indicating that even with the current level of financial and infrastructure development, better efficiency and governance could deliver higher returns. This underscores the importance of improving the quality of intermediation and investment alongside scaling up their levels. Priorities include strengthening banking soundness, modernizing credit infrastructure, promoting financial inclusion, and improving public investment management across all stages—from planning to execution and maintenance. Complementary measures such as land reform and a more predictable business environment will further amplify the impact.

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Annex I. List of Countries Included in the Model<sup>1 2, 3, 4</sup>

Sub-Saharan Africa		
Benin*	Côte d'Ivoire*	Namibia
Botswana	<b>Ethiopia*</b>	<b>Niger*</b>
<b>Burkina Faso*</b>	Ghana*	Rwanda*
<b>Burundi*</b>	Guinea*	Senegal*
Cabo Verde^	<b>Guinea-Bissau*</b>	Seychelles^
<b>Cameroon*</b>	Kenya*	Sierra Leone*
<b>Central African Republic*</b>	Lesotho*	Tanzania*
<b>Chad*</b>	Madagascar*	Togo*
<b>Comoros*^</b>	<b>Mali*</b>	Uganda*
<b>Congo, Dem. Rep.*</b>	Mauritius^	Zambia*
<b>Congo, Rep.*</b>	<b>Mozambique*</b>	
Emerging and Developing Asia	Emerging and Developing Europe	Caucasus and Central Asia
Brunei Darussalam	Belarus	Armenia
Cambodia*	Bosnia and Herzegovina	Azerbaijan
<b>Kiribati*^</b>	Bulgaria	Georgia
Lao PDR*	Moldova*	Kazakhstan
Maldives^	North Macedonia	Kyrgyz Republic*
Mongolia	Serbia	Tajikistan*
Nepal*	<b>Ukraine</b>	
<b>Papua New Guinea*</b>		
Latin America and the Caribbean	Middle East, North Africa, Afghanistan, and Pakistan	Advanced Economies
Bahamas, The^	Algeria	Croatia
Belize^	Bahrain	Cyprus
Bolivia	Iran, Islamic Rep.	Estonia
Dominican Republic	Kuwait	Hong Kong SAR
Ecuador	<b>Lebanon</b>	Iceland
El Salvador	Mauritania*	Latvia
Honduras*	Oman	Lithuania
Jamaica	Qatar	Luxembourg
Nicaragua*	Saudi Arabia	Malta
Panama	<b>Sudan*</b>	Singapore
Paraguay	<b>Syrian Arab Republic</b>	Slovak Republic
	United Arab Emirates	Slovenia

<sup>1</sup> The estimation sample corresponds to the set of economies included in the [IMF's EBA-Lite 3.0 model](#) with complete data coverage to estimate the model. This sample ensures sufficient within-country and cross-country variation for panel estimation and provides an economically relevant benchmark, as it is routinely used by the IMF in cross-country analyses, including the External Sector Assessment, to assess Cameroon's external position.

<sup>2</sup> Countries with an asterisk (\*) are Low-income Countries in the IMF's classification. These are countries that are eligible for IMF's concessional financial assistance from the Poverty Reduction and Growth Trust.

<sup>3</sup> Countries with a chapeau (^) are Small Developing States in the IMF's classification.

<sup>4</sup> Countries in bold typeface are Fragile and Conflict-affected States.