

INTERNATIONAL MONETARY FUND

Unlocking Growth in Cameroon: Easing Financial Sector Constraints and Closing Infrastructure Gaps

Andrea Carolina Atencio De Leon, Sampawende Jules Tapsoba,
Céline Thévenot, and Du Prince Tchakote

SIP/2026/030

IMF Selected Issues Papers are prepared by IMF staff as background documentation for periodic consultations with member countries. It is based on the information available at the time it was completed on March 9, 2026. This paper is also published separately as IMF Country Report No 26/82.

2026
APR



SELECTED ISSUES PAPER

IMF Selected Issues Paper
African Department

Unlocking Growth in Cameroon: Easing Financial Sector Constraints and Closing Infrastructure Gaps
Prepared by **Andrea Atencio De León, Sampawende Jules Tapsoba, Céline Thévenot, and Du Prince Tchakote**

Authorized for distribution by Christine Dieterich
April 2026

IMF Selected Issues Papers are prepared by IMF staff as background documentation for periodic consultations with member countries. It is based on the information available at the time it was completed on March 9, 2026. This paper is also published separately as IMF Country Report No 26/82.

ABSTRACT: 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.

RECOMMENDED CITATION: Atencio De Leon, Andrea; Jules Tapsoba; Céline Thévenot; and Du Prince Tchakote. 2026. *Unlocking Growth in Cameroon: Easing Financial Sector Constraints and Closing Infrastructure Gaps*. IMF Selected Issues Paper SIP/2026/030.

JEL Classification Numbers:	O11; O16; O18; E44; H54
Keywords:	Cameroon; economic growth; financial intermediation; credit constraints; infrastructure gaps; public investment efficiency.
Authors' E-Mail Addresses:	aatencioleon@imf.org

SELECTED ISSUES PAPERS

Unlocking Growth in Cameroon: Easing Financial Sector Constraints and Closing Infrastructure Gaps

Cameroon

Prepared by Andrea Carolina Atencio De Leon, Sampawende Jules Tapsoba, Céline Thévenot, and Du Prince Tchakote



CAMEROON

SELECTED ISSUES

March 9, 2026

Approved By
**the African
Department**

Prepared By Andrea Atencio De Leon, Sampawende Jules
Tapsoba, Céline Thévenot and Du Prince Tchakote

CONTENTS

UNLOCKING GROWTH IN CAMEROON: EASING FINANCIAL SECTOR CONSTRAINTS AND CLOSING INFRASTRUCTURE GAPS

	2
A. Introduction	2
B. Financial Sector Constraints Limit Access to Finance	4
C. Lagging Infrastructure and Investment Efficiency	7
D. Estimating Growth Gains from Financial and Infrastructure Improvements	10
E. Policy Advice	13
F. Conclusion	17

FIGURES

1. Size Distribution of Private Businesses in 2024	2
2. Biggest Obstacle Faced by Firms	3
3. Financial Development in Cameroon and Peers 1990–2020	4
4. Domestic Credit to Private Sector	5
5. Characteristics of Banking Lending	6
6. Access to Electricity in Rural and Urban Areas	8
7. Rural Access Index and GDP per Capita, 2018	8
8. Capital Spending	9
9. Capital Expenditure Planned and Executed	9
10. Predicted versus Realized GDP per Capita in 2024	13

TABLE

1. Regression Results: Financial Development, Infrastructure, and Income per Capita	12
---	----

ANNEX

1. List of Countries Included in the Model	19
--	----

References	18
------------	----

UNLOCKING GROWTH IN CAMEROON: EASING FINANCIAL SECTOR CONSTRAINTS AND CLOSING INFRASTRUCTURE GAPS¹

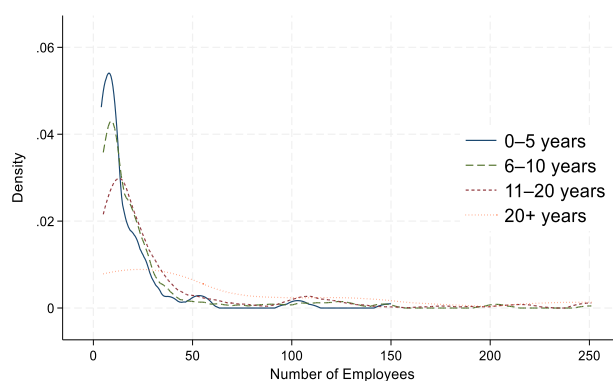
Cameroon's growth has been consistently below expectations and reflects structural constraints that limit private-sector development, including a shallow financial system, sizeable infrastructure gaps, and weak public investment efficiency. Access to finance and underdeveloped infrastructure are increasingly 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

Figure 1. Cameroon's Size Distribution of Private Businesses in 2024



Source: IMF calculations based on World Bank Enterprise Survey.

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

lifecycle, with a size distribution heavily skewed toward micro and small businesses regardless of age (Figure 1). In 2024, 91 percent of 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.

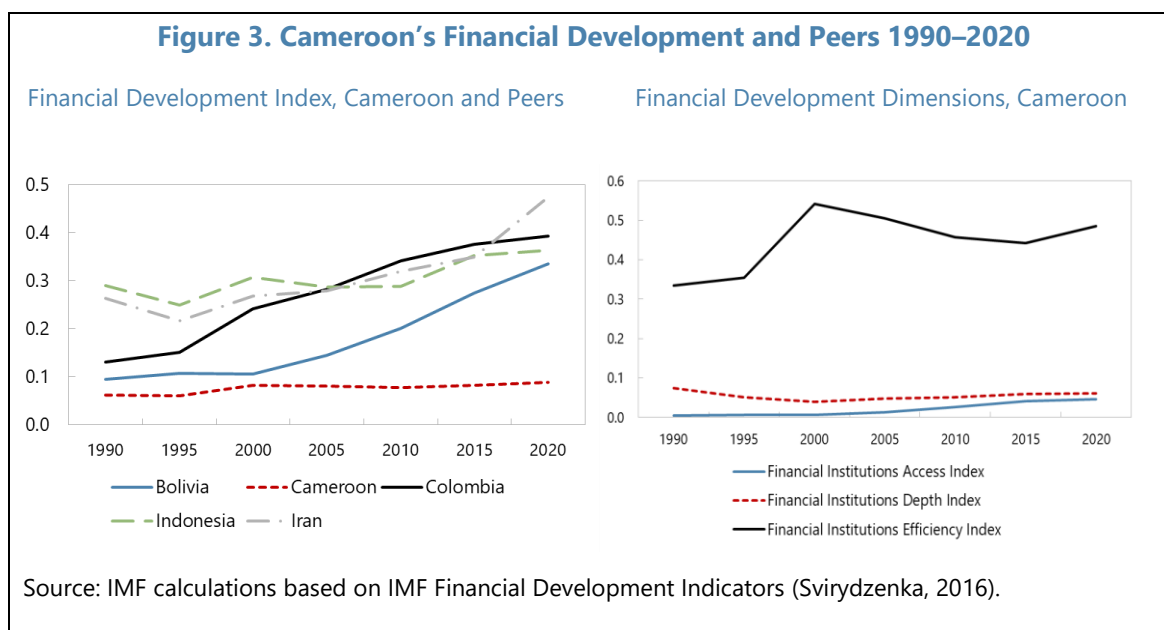


4. Growth opportunities in Cameroon lie in addressing the obstacles that most limit firms' expansion. This SIP therefore first documents the key facts behind Cameroon's shallow financial development and lagging infrastructure and investment efficiency. It then quantifies the potential growth gains from 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.²

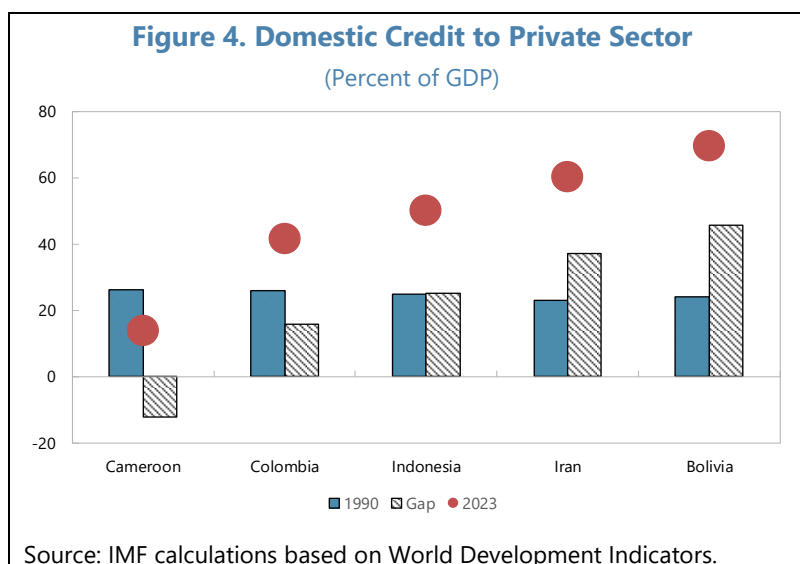


² The benchmarking group has been selected based on countries whose domestic credit to the private sector in 1990 was within ± 15 percent of Cameroon's level.

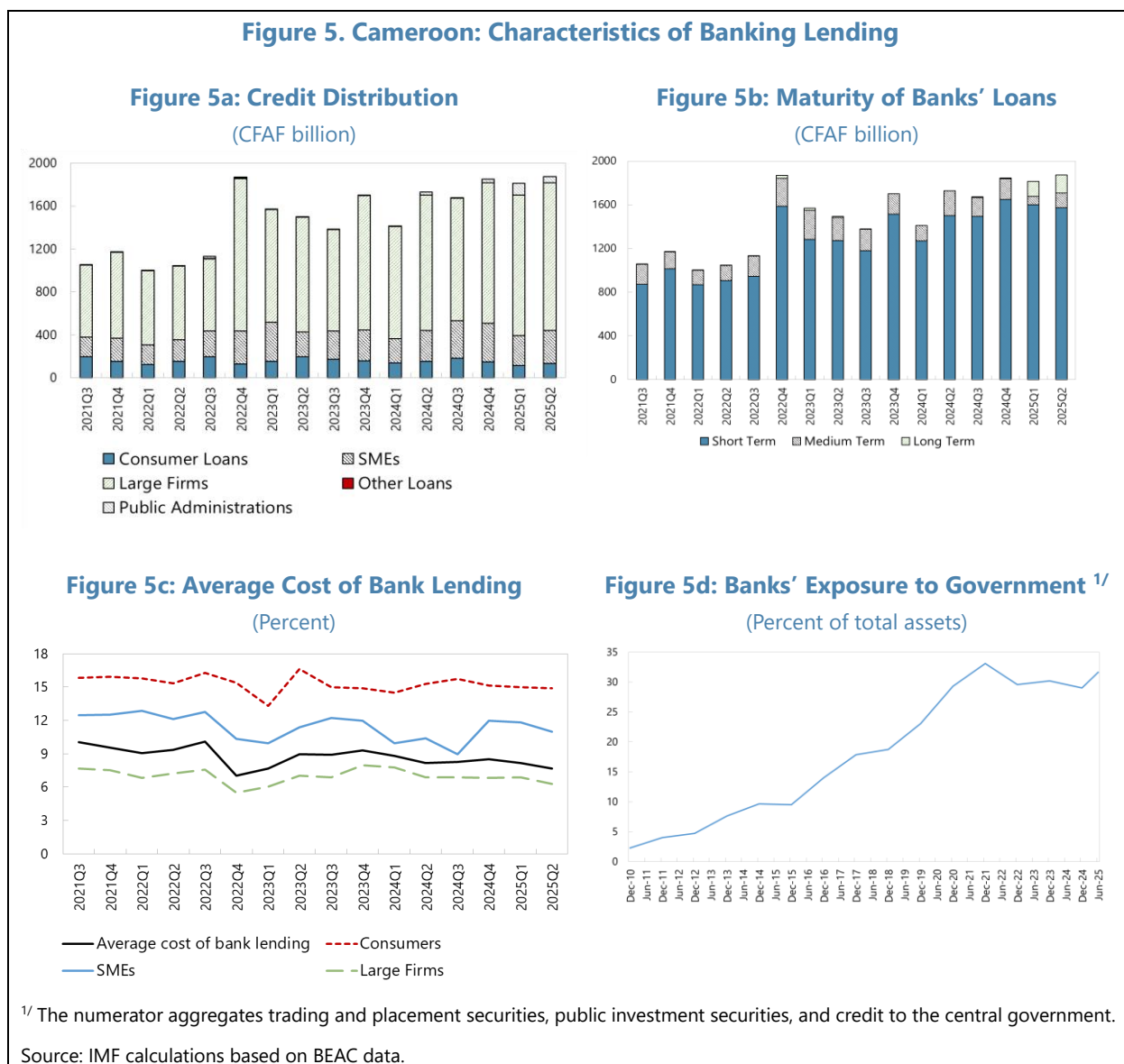
6. Financial access and efficiency remain weak relative to peers. Compared to economies that started from similar levels of private sector credit in the early 1990s—such as Indonesia (Asia), Iran (Middle East), as well as Bolivia and Colombia (Latin America)—Cameroon has made more limited progress in 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.

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.



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)³. A high and rising level of bank exposure to government-related assets, along with significant non-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.

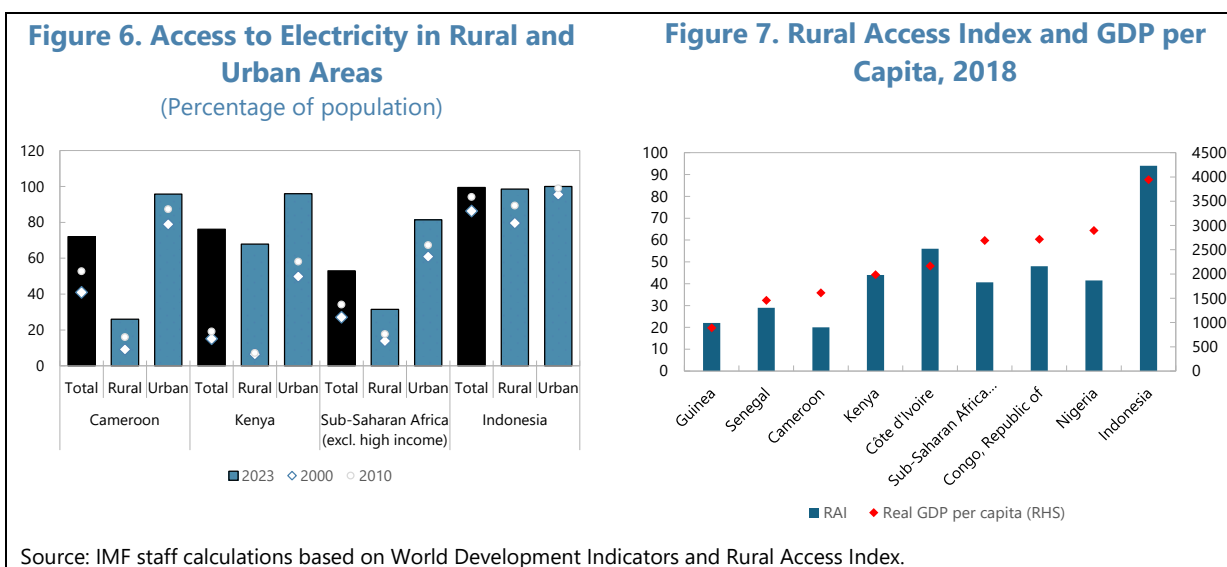
12. Infrastructure development has not kept pace with ambitions or peers despite successive strategies. Cameroon's overall infrastructure quality ranking stood at 129th out of 186 countries in 2023, well below Kenya (56th) and Indonesia (27th)⁴. Over the past decade, the authorities have sought to accelerate 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

³ 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.

⁴ Kenya and Indonesia are used as comparators as they had GDP levels within ± 15 percent of Cameroon's level in 1990.

GESP period, several major projects were launched⁵. 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-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.

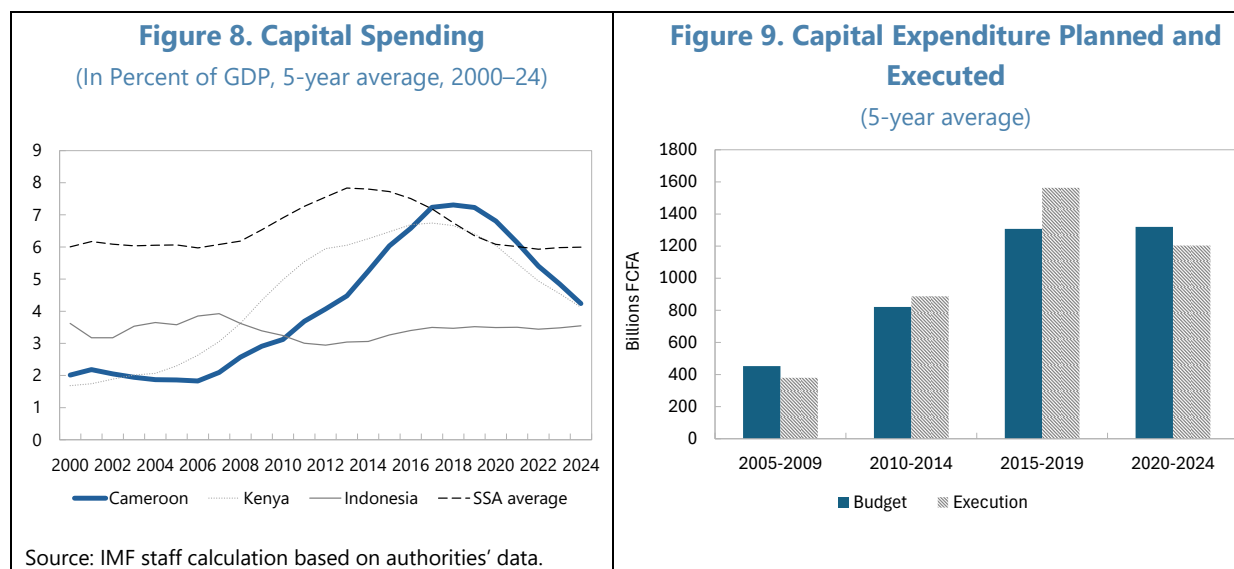


14. Digital connectivity has improved, but important gaps remain, particularly in fixed broadband. Mobile cellular subscriptions have risen steadily over the past two decades and now exceed 90 per 100 people, reflecting widespread access to basic mobile services. While broadly in line with regional trends, penetration has grown more slowly than in peer

⁵ 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.

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 inefficiencies⁶. 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 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

⁶ 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.

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 ; α_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 indicators⁷. 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 capita⁸. Countries with higher access to finance and better infrastructure are associated with higher long-run income levels, controlling for other fundamentals (Table 1). 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 average⁹. 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.

⁷ 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.

⁸ *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.

⁹ 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

Outcome: ln (GDP pc PPP)	
Financial Development /1	
Financial institutions access	0.545*** (0.157)
Financial institutions efficiency	0.484** (0.194)
Infrastructure /1	
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)
Controls	
Human capital	Yes
Population growth	Yes
Macroeconomic fundamentals	Yes
Cyclical and temporary factors	Yes
Number of economies	88

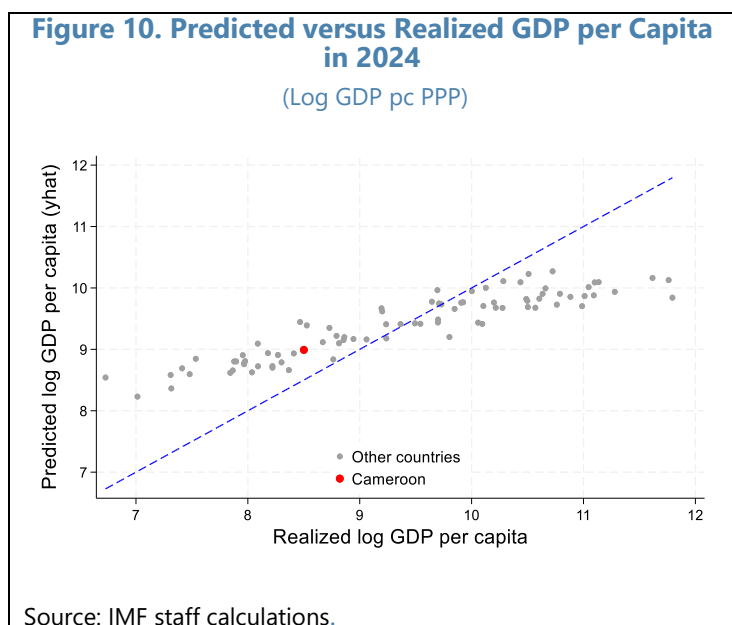
1/ Unless otherwise specified, all variables are expressed as five-year averages. (2) Robust standard errors in parentheses, clustered at the country level. (3) *** p<0.01, ** p<0.05, * p<0.1. (4) Controls include human capital variables: primary completion and secondary enrollment, both lagged five 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 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.

References

- Arcand, J. L., Berkes, E., and Panizza, U. 2015. "Too Much Finance?" *Journal of Economic Growth* 20: 105–148. <https://doi.org/10.1007/s10887-015-9115-2>.
- Espinoza, R., and Presbitero, A. F. 2022. "Delays in Public Investment Projects." *International Economics* 172(C): 297–310.
- GICAM (Groupement Inter-Patronal du Cameroun). 2020. *GICAM White Paper on Cameroonian Economy: The Industrial Imperative of Cameroon*. <https://legecam.cm/wp-content/uploads/2024/05/gicam-livre-blanc-anglais.pdf>.
- Haltiwanger, J., Jarmin, R. S., and Miranda, J. 2013. "Who Creates Jobs? Small versus Large versus Young." *Review of Economics and Statistics* 95(2): 347–361.
- Hsieh, C.-T., and Klenow, P. J. 2009. "Misallocation and Manufacturing TFP in China and India." *Quarterly Journal of Economics* 124(4): 1403–1448.
- Hsieh, C.-T., and Klenow, P. J. 2014. "The Life Cycle of Plants in India and Mexico." *Quarterly Journal of Economics* 129(3): 1035–1084.
- IMF. 2017. *Staff Country Report* No. 17/185. <https://doi.org/10.5089/9781484307328.002.A001>.
- IMF. 2018. *Staff Country Report* No. 18/009. <https://doi.org/10.5089/9781484337547.002>.
- MF. 2024. *Staff Country Report* No.24/51. <https://doi.org/10.5089/9798400268229.002>
- IMF. 2025a. *Fiscal Monitor: Spending Smarter—How Efficient and Well-Allocated Public Spending Can Boost Economic Growth*. Washington, DC.
- IMF. 2025b. *Staff Country Report* No. 25/071. <https://doi.org/10.5089/9798229004961.002>.
- Levine, R. 2005. "Finance and Growth: Theory and Evidence." In *Handbook of Economic Growth*, edited by P. Aghion and S. Durlauf, vol. 1, chap. 12, 865–934. Elsevier.
- Svirydzenka, K. 2016. "Introducing a New Broad-Based Index of Financial Development." IMF Working Paper No. 16/005. International Monetary Fund.
- World Bank Group. 2018. *Cameroon: Public Expenditure Review—Aligning Public Expenditures with the Goals of Vision 2035*. Washington, DC. <http://documents.worldbank.org/curated/en/501141543353309471>.

Annex I. List of Countries Included in the Model^{1 2, 3, 4}

Sub-Saharan Africa		
Benin*	Côte d'Ivoire*	Namibia
Botswana	Ethiopia*	Niger*
Burkina Faso*	Ghana*	Rwanda*
Burundi*	Guinea*	Senegal*
Cabo Verde^	Guinea-Bissau*	Seychelles^
Cameroon*	Kenya*	Sierra Leone*
Central African Republic*	Lesotho*	Tanzania*
Chad*	Madagascar*	Togo*
Comoros*^	Mali*	Uganda*
Congo, Dem. Rep.*	Mauritius^	Zambia*
Congo, Rep.*	Mozambique*	
Emerging and Developing Asia	Emerging and Developing Europe	Caucasus and Central Asia
Brunei Darussalam	Belarus	Armenia
Cambodia*	Bosnia and Herzegovina	Azerbaijan
Kiribati*^	Bulgaria	Georgia
Lao PDR*	Moldova*	Kazakhstan
Maldives^	North Macedonia	Kyrgyz Republic*
Mongolia	Serbia	Tajikistan*
Nepal*	Ukraine	
Papua New Guinea*		
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	Lebanon	Iceland
El Salvador	Mauritania*	Latvia
Honduras*	Oman	Lithuania
Jamaica	Qatar	Luxembourg
Nicaragua*	Saudi Arabia	Malta
Panama	Sudan*	Singapore
Paraguay	Syrian Arab Republic	Slovak Republic
	United Arab Emirates	Slovenia

¹ 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.

² 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.

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

⁴ Countries in bold typeface are Fragile and Conflict-affected States.