WORLD BANK GROUP

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# CAMEROON

## JOINT WORLD BANK-IMF DEBT SUSTAINABILITY ANALYSIS

**Approved by:**

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| CAMEROON: JOINT BANK-FUND DEBT SUSTAINABILITY ANALYSIS | |
|---|---|
| **Risk of external debt distress** | High |
| **Overall risk of debt distress** | High |
| **Granularity in the risk rating** | Sustainable |
| **Application of judgment** | No |

Cameroon remains at high risk of debt distress while its overall debt sustainability indicators have deteriorated somewhat compared to the previous DSA, mainly due to external shocks including a weaker exchange rate, as well as due to domestic factors such as lower real growth projections. The debt carrying capacity is weaker as suggested by the latest score of the Composite Index (CI), and the bond spread is above the benchmark value. On the other hand, while Cameroon's external debt stock indicators continue to lie below the threshold, its external debt service indicators remain above the threshold but have improved supported by the authorities' active debt management. Both external debt service indicators are on a downward trend. Taking all these factors into consideration, staff maintains the assessment that Cameroon's debt is sustainable given the authorities' commitment to program objectives, including fiscal consolidation efforts, and active debt management. The likelihood that Cameroon will not be able to meet its current and future financial obligations is low.

Key downside risks to this assessment include the ongoing Russia's invasion of Ukraine which could set back the global recovery and prolong supply disruptions, casting additional pressure on the Cameroonian economy. Tightening global financial conditions could increase borrowing costs. A downward adjustment of global energy prices could lead to deterioration of both exports and fiscal revenue. On the domestic front, rising food and fuel prices while reducing subsidies could intensify socio-economic tensions, and delayed restructuring of SONARA's debt would jeopardize the debt sustainability. Regional security conflicts—if not well contained—could also compound the fiscal challenges.

To mitigate risks, Cameroon should firmly push forward its agenda to ensure its debt sustainability, while aligning macroeconomic policies with other economic and social objectives. First, keeping public debt dynamics on a sustainable path requires a gradual fiscal consolidation. Setting and achieving a further reduction in the non-oil fiscal deficit in the short term is needed to ensure debt sustainability. This should be coupled with continued structural fiscal reforms, including further reducing the fuel subsidies and enhancing revenue mobilization. Second, the authorities should closely monitor their debt service and actively manage their debt portfolio to minimize interest rate risks, amidst rising global financing costs. Third, vulnerable export-related debt indicators point to the need for improving competitiveness and achieving economic diversification. Reform momentum to improve the domestic business and investment environment should be further accelerated, inviting more FDI and boosting exports. Lastly, management of SOEs should be strengthened to reduce risks related to contingent liabilities.

## PUBLIC DEBT COVERAGE

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

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

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

[1] The total external debt of SOEs was CFAF 458.6 billion and domestic debt CFAF 407.1 billion at end-2021, of which SONARA's share accounted for 80 percent and 70 percent, respectively.
[2] Official public debt arrears over 3 months stood at CFAF 163 billion at end-2021. Other SOEs' external arrears include a supplier credit to a SOE (Euro 8.9 million) and a compensation claim on a SOE for termination of contract (Euro 6.2 million).
[3] Debt stock of Collectivités Territoriales Décentralisées (CTD), in the form of commercial debt, wage, and other social debts, was CFAF 5.4 billion at end-2020. As of January 2022, the authorities have not verified such claims nor prepared a settlement plan.
[4] The public pension system in Cameroon operates on a pay-as-you-go basis with defined benefit schemes. The diagnostic study of public pension suggests the imbalance of the system is mainly related to the military sub-scheme.
[5] This is due to limited capacity in tracking debt holdings of non-residents. Debt with available data such as from the Development Bank of the Central African States (CFAF 25.3 billion as of end-2021) is classified as external debt.

**2. While domestic debt of SOEs other than SONARA are not included in the DSA's debt perimeter, there has been progress in understanding overall SOE debt.** In recent years the authorities have been improving the comprehensiveness of debt reporting by expanding the scope of SOE debt data, supported by the World Bank's Sustainable Development Finance Policy (SDFP) Performance and Policy Actions (PPA). Latest reports indicate that the debt of SOEs, excluding SONARA, amounts to CFAF 215 billion, around 0.9 percent of GDP (Text Table 3). As part of structural benchmarks under the IMF program, diagnostic studies of large SOEs, including CAMTEL, PAD, and CAMWATER, and an inventory of the cross-debts among SOEs and the state have been ongoing. CAMTEL's and CAMWATER's diagnostics are currently subject to review by their management and are expected to be published by June-2023. Diagnostic studies of an inventory of the cross-debts among SOEs and the state are expected to be submitted in late 2023. Staff and the authorities will clarify the fiscal risks associated with such SOEs upon verified data and gradually expand the debt perimeter.

**3. The contingent liability stress test accounts for vulnerabilities associated with uncovered debt, including other SOEs' domestic debt and PPPs (Text Table 2).** Building on Cameroon's successful completion of the FY22 PPAs, implementing the FY23 PPAs will continue strengthening debt management such as expanding the scope for reporting on contingent liabilities of PPPs. Meanwhile, the authorities have made progress to adopt a legal and regulatory framework governing Public-Private Partnerships (PPP). The current draft, with the adoption being delayed pending the finalization of the CEMAC-wide regional framework, is planned to be submitted to Parliament for approval in the second half of 2023 while waiting for a regional framework to be developed. In the DSA exercise, all debt of SONARA and other SOEs' external arrears have already been captured in the baseline, and the shock scenario for the remaining uncovered SOE debt is set at 2 percent of GDP. This is a default value reflecting the median SOE external liability identified by a Fund staff survey conducted in 2016. The data of capital stock of public private partnerships (PPPs) have been updated in 2022 from CFAF 1,227.9 billion in 2021 to CFAF 3,785.4 billion as of September 2022, or about 12.8 percent of GDP, corresponding to a contingent liability of 4.5 percent of GDP. Contingent liabilities from financial markets are set at the minimum value of 5 percent of GDP, representing the average cost to the government of a financial crisis in a LIC since 1980. Estimates of other elements not covered are currently not available.

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

| | | | | | |
|---|---|---|---|---|---|
| 1 | **The country's coverage of public debt** | The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt | | | |
| | | **Default** | | **Used for the analysis** | **Reasons for deviations from the default settings** |
| 2 | Other elements of the general government not captured in 1. | 0 | percent of GDP | 0.0 | |
| 3 | SoE's debt (guaranteed and not guaranteed by the government) 1/ | 2 | percent of GDP | 2.0 | |
| 4 | PPP | 35 | percent of PPP stock | 4.5 | |
| 5 | Financial market (the default value of 5 percent of GDP is the minimum value) | 5 | percent of GDP | 5.0 | |
| | Total (2+3+4+5) (in percent of GDP) | | | 11.5 | |

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

# BACKGROUND

## EVOLUTION OF DEBT

**4.** Public debt continued to increase in the first nine months of 2022. According to preliminary staff estimates[6], the total public and publicly guaranteed (PPG) debt is around CFAF 12,674 billion (47.5 percent of GDP) as of September 2022, compared to 46.8 percent of GDP at end-2021 (Text Table 3). The external debt stock was estimated at CFAF 8,766 billion (32.8 percent of GDP) and domestic debt at CFAF 3,908 billion (14.6 percent of GDP). The rising level of debt has been against a backdrop of exchange rate depreciation, with CFAF against US$ falling by around 18 percent from January to September 2022.

### Text Table 3. Cameroon: Evolution of Total PPG Debt

| | 2017 | | 2018 | | 2019 | | 2020 | | 2021 (Prel.) | | Sep-2022 (Prel.) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ |
| **Total Public Debt (authorities' estimate)** | **6,829** | **32.6** | **7,933** | **35.7** | **9,786** | **42.1** | **10,351** | **44.1** | **11,394** | **45.3** | **12,396** | **46.4** |
| Debt of the central government | 6,227 | 29.7 | 7,371 | 33.2 | 8,695 | 37.4 | 9,439 | 40.2 | 10,506 | 41.8 | 11,442 | 42.9 |
| External debt | 4,649 | 22.2 | 5,652 | 25.5 | 6,398 | 27.5 | 6,747 | 28.7 | 7,578 | 30.1 | 8,272 | 31.0 |
| Domestic debt (excl. arrears) | 1,578 | 7.5 | 1,719 | 7.7 | 2,034 | 8.7 | 2,505 | 10.7 | 2,765 | 11.0 | 2,998 | 11.2 |
| Unpaid government obligations (float and arrears) 2/ | | | | | 264 | 1.1 | 187 | 0.8 | 163 | 0.6 | 171 | 0.6 |
| Publicly guaranteed debt (external) | 51 | 0.2 | 46 | 0.2 | 37 | 0.2 | 29 | 0.1 | 21 | 0.1 | 17 | 0.1 |
| Debt of SOEs (unguaranteed) 3/ | 551 | 2.6 | 517 | 2.3 | 1,053 | 4.5 | 883 | 3.8 | 866 | 3.4 | 937 | 3.5 |
| SONARA 3/ | 108 | 0.5 | 156 | 0.7 | 745 | 3.2 | 655 | 2.8 | 651 | 2.6 | 738 | 2.8 |
| of which: external | 33 | 0.2 | 52 | 0.2 | 371 | 1.6 | 359 | 1.5 | 366 | 1.5 | 467 | 1.7 |
| of which: domestic | 75 | 0.4 | 103 | 0.5 | 374 | 1.6 | 296 | 1.3 | 286 | 1.1 | 271 | 1.0 |
| Ex-SONARA 4/ | 443 | 2.1 | 361 | 1.6 | 308 | 1.3 | 228 | 1.0 | 215 | 0.9 | 199 | 0.7 |
| of which: external | 64 | 0.3 | 72 | 0.3 | 145 | 0.6 | 94 | 0.4 | 93 | 0.4 | 89 | 0.3 |
| of which: domestic | 379 | 1.8 | 289 | 1.3 | 164 | 0.7 | 134 | 0.6 | 122 | 0.5 | 111 | 0.4 |
| Total External | 4,798 | 22.9 | 5,822 | 26.2 | 6,951 | 29.9 | 7,229 | 30.8 | 8,058 | 32.0 | 8,845 | 33.1 |
| Total Domestic | 2,032 | 9.7 | 2,112 | 9.5 | 2,835 | 12.2 | 3,123 | 13.3 | 3,336 | 13.3 | 3,551 | 13.3 |
| **Total Public Debt (staff estimate)** | **7,659** | **36.5** | **8,512** | **38.3** | **9,669** | **41.6** | **10,535** | **44.9** | **11,770** | **46.8** | **12,669** | **47.5** |
| Debt of the central government | 7,066 | 33.7 | 7,860 | 35.4 | 9,037 | 38.9 | 9,800 | 41.7 | 11,089 | 44.1 | 11,904 | 44.6 |
| External debt | 4,649 | 22.2 | 5,652 | 25.5 | 6,398 | 27.5 | 6,747 | 28.7 | 7,578 | 30.1 | 8,272 | 31.0 |
| Domestic debt (excl. arrears) | 1,578 | 7.5 | 1,719 | 7.7 | 2,034 | 8.7 | 2,505 | 10.7 | 2,815 | 11.2 | 3,118 | 11.7 |
| Unpaid government obligations (float and arrears) 2/ | 838 | 4.0 | 489 | 2.2 | 606 | 2.6 | 547 | 2.3 | 695 | 2.8 | 513 | 1.9 |
| Publicly guaranteed debt (external) | 51 | 0.2 | 46 | 0.2 | 37 | 0.2 | 29 | 0.1 | 21 | 0.1 | 17 | 0.1 |
| Debt of SOEs (unguaranteed) | 542 | 2.6 | 606 | 2.7 | 594 | 2.6 | 706 | 3.0 | 660 | 2.6 | 747 | 2.8 |
| SONARA 3/ | 534 | 2.5 | 597 | 2.7 | 585 | 2.5 | 698 | 3.0 | 651 | 2.6 | 738 | 2.8 |
| of which: external (incl. arrears) | 383 | 1.8 | 446 | 2.0 | 386 | 1.7 | 370 | 1.6 | 365 | 1.5 | 467 | 1.7 |
| of which: domestic | 151 | 0.7 | 151 | 0.7 | 199 | 0.9 | 328 | 1.4 | 286 | 1.1 | 276 | 1.0 |
| Ex-SONARA (external) 4/ | 9 | 0.0 | 9 | 0.0 | 9 | 0.0 | 8 | 0.0 | 9 | 0.0 | 10 | 0.0 |
| Total External | 5,092 | 24.3 | 6,152 | 27.7 | 6,831 | 29.4 | 7,155 | 30.5 | 7,974 | 31.7 | 8,766 | 32.8 |
| Total Domestic | 2,567 | 12.2 | 2,360 | 10.6 | 2,838 | 12.2 | 3,380 | 14.4 | 3,796 | 15.1 | 3,903 | 14.6 |

Sources: Cameroonian authorities and IMF staff calculations.

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

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

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

4/ Difference in estimates is due to the scope of coverage as described in paragraph 2 and footnote 2&3.

[6] The debt stock in 2021 has been revised due to updated estimate of float and arrears and the inclusion of SDR usage as domestic debt.

### Text Table 4. Cameroon: External Debt Composition

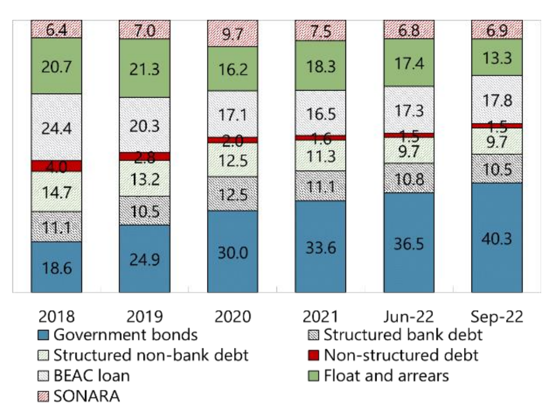
| | 2017 | 2018 | 2019 | 2020 | 2021 | Sep-2022 (Prel.) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Sep-2022 (Prel.) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Billions of CFAF) | | | | | | | (Percent share) | | | | | |
| **Total PPG External Debt (staff estimate)** | **5,092** | **6,152** | **6,831** | **7,155** | **7,974** | **8,766** | **0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |
| **Debt of the central government** | **4,649** | **5,652** | **6,398** | **6,747** | **7,578** | **8,272** | **0** | **91.3** | **91.9** | **93.7** | **94.3** | **95.0** | **94.4** |
| **Multilateral** | **1,450** | **1,995** | **2,349** | **2,764** | **3,268** | **3,693** | **0** | **28.5** | **32.4** | **34.4** | **38.6** | **41.0** | **42.1** |
| IMF | 191 | 268 | 302 | 546 | 671 | 828 | 0 | 3.7 | 4.4 | 4.4 | 7.6 | 8.4 | 9.5 |
| World Bank (IDA, IBRD) | 725 | 835 | 1,026 | 1,029 | 1,214 | 1,361 | 0 | 14.2 | 13.6 | 15.0 | 14.4 | 15.2 | 15.5 |
| African Development Bank/Fund | 342 | 636 | 693 | 826 | 906 | 956 | 0 | 6.7 | 10.3 | 10.1 | 11.5 | 11.4 | 10.9 |
| Other Multilateral | 192 | 256 | 328 | 364 | 477 | 548 | 0 | 3.8 | 4.2 | 4.8 | 5.1 | 6.0 | 6.2 |
| **Bilateral** | **2,440** | **2,716** | **3,077** | **3,070** | **3,298** | **3,533** | **0** | **47.9** | **44.2** | **45.1** | **42.9** | **41.4** | **40.3** |
| Paris Club | 737 | 868 | 957 | 1,020 | 1,089 | 1,057 | 0 | 14.5 | 14.1 | 14.0 | 14.3 | 13.7 | 12.1 |
| Non-Paris Club | 1,703 | 1,848 | 2,120 | 2,050 | 2,209 | 2,476 | 0 | 33.4 | 30.0 | 31.0 | 28.6 | 27.7 | 28.2 |
| of which: China | 1,649 | 1,745 | 1,965 | 1,895 | 2,046 | 2,297 | 0 | 32.4 | 28.4 | 28.8 | 26.5 | 25.7 | 26.2 |
| **Commercial** | **760** | **941** | **972** | **913** | **1,012** | **1,047** | **0** | **14.9** | **15.3** | **14.2** | **12.8** | **12.7** | **11.9** |
| of which: Eurobond | 450 | 450 | 450 | 450 | 542 | 542 | 0 | 8.8 | 7.3 | 6.6 | 6.3 | 6.8 | 6.2 |
| **Guaranteed external debt** | **51** | **46** | **37** | **29** | **21** | **17** | **0** | **1.0** | **0.7** | **0.5** | **0.4** | **0.3** | **0.2** |
| **Unguaranteed SOE debt (incl. arrears)** | **392** | **455** | **395** | **379** | **374** | **476** | **0** | **7.7** | **7.4** | **5.8** | **5.3** | **4.7** | **5.4** |
| SONARA | 383 | 446 | 386 | 370 | 365 | 467 | 0 | 7.5 | 7.2 | 5.7 | 5.2 | 4.6 | 5.3 |
| Others | 9 | 9 | 9 | 8 | 9 | 9 | 0 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |

Sources: Cameroonian authorities, and IMF staff calculations.

**5. The share of multilateral debt in the composition of external debt continues to rise.** It reached 42.1 percent of the total PPG external debt as of September 2022 (Text Table 4), compared to 41.0 percent as of end-2021. Both bilateral and commercial debts have declined. The debt owed to China—accounting for 65.0 percent of total bilateral debt—rose somewhat. In terms of external commitments signed in 2022, the amount reached CFAF 812 billion, including project loans CFAF 553.2 billion, of which two-thirds are concessional. An adjustor will apply to the debt ceiling in 2023 to accommodate the World Bank projects, including a Cameroon-Chad Transport Corridor, Douala Urban Mobility Project, Local Governance and Resilient Communities Project, and Regional project for the modernization and harmonization of statistics.

**6. The composition of domestic debt has shifted towards a larger share of government bonds (Text Figure 1).** Government bond issuance (including *Bons du Trésor Assimilables* (BTA) and *Obligations du Trésor Assimilables* (OTA)) continued to increase, reaching 40.3 percent of the total domestic public debt as of September 2022. This increase has been driven by new OTA issuances in February, March, and September with the 4 to 7 years maturity and an average 5.4 percent interest rate. Cameroon could also raise CFAF 235 billion in the regional securities market (BVMAC) in May with a maturity of 7 year, bearing interest rate of 6.25 percent. The issuance of longer-term debt is welcome by

### Text Figure 1. Cameroon: Domestic Public Debt Composition



institutional investors, such as banks and insurance companies, for portfolio diversification.[7] Meanwhile, the share of float and arrears, based on the staff estimates, driven by a reduction of floats and other arrears, declined further from 17.4 percent of total domestic debt in end-2021 to an estimated 13.3 percent in September 2022.

7. **Average maturity of public debt has been improving, but gradually.** As of September 2022, the average maturity of public debt reached 8.0 years compared to 7.2 percent one year ago, however, below the 11-year minimum target set by the government. In terms of breakdown, the average maturities of external debt and domestic debt were 9.1 and 5.2 years, respectively.

8. **The stock of contracted-but-undisbursed debt (SENDs) remain elevated, although declined somewhat in the first three quarters of 2022.** The stock of SENDs as of September 2022, excluding budget support, was estimated at CFAF 3,560 billion or around 13.3 percent of GDP, compared with CFAF 3,681 billion or 14.6 percent at end-2021 (Text Table 5), of which 58.5 percent stem from multilateral creditors and 22.2 percent from bilateral ones. The drop was mainly driven by the disbursements of a few multilateral creditors during the period. On the other hand, as there were a few more projects signed in Q4 2023, the year-end SENDs level is likely to rise somewhat. To address the issue of the high level of SENDs, the authorities plan to implement the October 2021 decree establishing procedures for monitoring the performance of project management units (SB20). Accounting for a key share of SENDs, the World Bank has also been in discussion with the authorities to find means to ensure effective disbursement for approved and future projects going forward. That said, some issues related to problematic SENDs are yet to be further addressed.[8]

### Text Table 5. Cameroon: Stock of SENDs

| | 2017 | | 2018 | | 2019 | | 2020 | | 2021 (Prel.) | | Sep-22 (Prel.) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ | Bn CFAF | % GDP 1/ |
| **SENDs** | **4328** | **20.6** | **4043** | **18.2** | **3470** | **14.9** | **3146** | **13.4** | **3681** | **14.6** | **3560** | **13.3** |
| Domestic | 178 | 0.9 | 171 | 0.8 | 65 | 0.3 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| External 2/ | 4149 | 19.8 | 3873 | 17.4 | 3405 | 14.6 | 3146 | 13.4 | 3681 | 14.6 | 3560 | 13.3 |
| o/w multilateral | 1746 | 8.3 | 1627 | 7.3 | 1671 | 7.2 | 1769 | 7.5 | 2223 | 8.8 | 2083 | 7.8 |
| o/w bilateral | 1710 | 8.2 | 1545 | 7.0 | 1121 | 4.8 | 824 | 3.5 | 777 | 3.1 | 790 | 3.0 |
| o/w commercial | 693 | 3.3 | 701 | 3.2 | 613 | 2.6 | 554 | 2.4 | 681 | 2.7 | 688 | 2.6 |

1/ Reflects rebasing of the national accounts from 2005 to 2016.
2/ Excludes budget support.
Sources: Cameroonian authorities, and IMF staff calculations.

[7] In collaboration with BEAC, the authorities will develop a strategy in 2023 to encourage the participation of non-bank investors (insurance companies, pension funds, individuals, etc.), especially in long-term issues. The authorities continue to provision in an escrow account (sinking fund) housed at BEAC the resources necessary for the payment of maturities of similar Treasury bonds (OTA) and bond issues, including Eurobonds.

[8] SENDs are classified as problematic if they fulfilled at least one of six criteria: (i) the loan was signed before 2014, (ii) the loan's disbursement was zero one year after signing, (iii) the loan has not come into effect six months after signing, (iv) the deadline for the loan's disbursements has passed or has been extended at least once, (v) the deadline for the loan's disbursement is less than one year and the share that is disbursed is below 50 percent, (vi) the project has not disbursed for more than one year. Problematic SENDs were estimated at CFAF 1,926 billion (8.2 percent of GDP) at end-2020.

**9. The stock of guaranteed debt has remained unchanged.** The guaranteed debt results solely from the old agreements, and additional guaranteed debt has not incurred since 2021. The outstanding stock of guaranteed debt declined to CFAF 17.5 billion in September 2022 (0.1 percent of GDP), from CFAF 21.3 billion at end-2021, following debt repayment by three public entities in Q2 2022.

**10. No new sovereign external arrears have been accumulated.** The DSA includes external arrears of SONARA and other SOEs, estimated at CFAF 221.1 billion and CFAF 9 billion as of end-2021 respectively, which constitute non-payments to oil suppliers.[9] While the DSA exercise takes into account part of SOEs' debt and arrears, the arrears of SOEs do not represent government insolvency and/or illiquidity as these liabilities fall on the indebted SOEs and not the government.

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

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

## MACROECONOMIC FORECAST

**13. Cameroon economy continues to recover since mid-2021, supported by stronger fiscal and external positions amidst higher energy prices.** Real GDP growth rebounded from record-low in 2020 to 3.6 percent in 2021 following the lifting of COVID-related restrictions, supported by strong performance in the primary and tertiary sectors. Economic recovery continued in 2022 though at a slightly slower pace of 3.4 percent due to a contraction of oil GDP. The overall fiscal deficit (payment order basis, excluding grants) is expected to decline from 3.2 percent in 2021 to 2.4 percent in 2022. The current account deficit is expected to narrow from 4.0 percent of GDP in 2021 to 1.6 percent of GDP in 2022, before returning to around 3 percent in the medium term.

**14. Growth is expected to strengthen in 2023 but lower than projected in the second review, while end-year inflation is expected to remain close to 6 percent.** The real GDP growth rate is

[9] External arrears of SONARA are estimated by calculating the short-term external debt, including external supplier debt open account and old stock (2013 and 2014).

projected at 4.3 percent in 2023 but could be lower owing to possible headwinds from multiple fronts. Risks, including a global recession, a prolonged Russia's invasion of Ukraine, elevated import prices, and continued supply chain disruptions, could weigh on the economy through both consumption and investment channels. Further tightening of global financial conditions could also lead to lower availability of concessional financing and higher rollover risks. An increase in domestic fuel pump prices starting from 1 February 2023 is expected to reduce the gap between the domestic and international prices and help contain fiscal risks associated with increased cost of fuel subsidies. Inflation is projected to reach 5.9 percent in 2023, compared to 2.8 percent in the second review. The government is rolling out mitigation measures to reduce the social impact from inflationary pressures caused by higher fuel prices.

**15. Cameroon's prospects remain favorable in the medium term**. The country could benefit from ongoing structural reforms to accelerate economic growth, mobilize fiscal revenues, and reduce debt vulnerabilities. Cameroon has a strong record of implementing its macroeconomic programs, maintains close engagement with donors, and its comprehensive capacity development program is well-aligned with the program objectives. The authorities are committed to adopting other contingency measures to achieve program objectives, including a revised budget. Debt sustainability risks could also be further mitigated by strengthened public debt management and reduced reliance on non-concessional borrowing. In the medium term, growth is expected to average at around 4.5 percent and CPI inflation is projected to stabilize between 2 and 3 percent. Macroeconomic assumptions underpinning these projections are laid out in Box

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

**Medium Term, 2023-2027**

- Real GDP growth is projected to average 4.5 percent in the medium term (2023-2027), revised downward by 0.3 percentage point from the previous DSA, reflecting the repercussions from Russia's invasion of Ukraine and slower progress in structural reforms. In comparison, the average growth was 4.4 percent in the pre-covid period (2011-2019). This revised projection is based on a continued—albeit more gradual—recovery from the pandemic, reflecting growing demand from trade partners driving production increases in export-oriented industries, including agriculture and forestry. Following the lifting of social restrictions during the pandemic, activities are expected to continue to increase from a low base in the service sector, including tourism, hospitality, and transport. The projection also builds on continued implementation—some with delays—of growth-enhancing reforms under the IMF program, including lifting business impediments through a regular consultation with the private sector; revising the law on private investment incentives to promote competition; and revamping customs and port systems to reduce transit time and costs. The low level of COVID vaccination has not imposed as a barrier in the recovery.
- Due to the rising food and energy prices, average annual inflation is projected to rise to 5.3 percent in 2022 and further up to 5.9 percent in 2023 factoring in the increase in retail fuel price to reduce fuel subsidies on February 1, 2023, compared to 4.6 percent in 2022 and 2.8 percent in 2023 in the previous DSA vintage. Inflationary pressures are expected to gradually subside in the following years as the base effect fades away and supply shortages ease. Overall, considering BEAC's efforts to curb inflation, the Cameroonian authorities' fiscal consolidation and the fixed exchange rate with the Euro in the monetary union, inflation is expected to decline gradually, approaching 2.0 percent in the long term, below the CEMAC convergence criterion of 3 percent and compared to the average inflation of 1.8 percent during 2010-2019.
- The fiscal balance is expected to improve more gradually than previously envisaged in the short term. In 2022, an increase of global energy prices has been the main factor behind the higher government revenues which rose by 2.2 percentage points of GDP (of which around 1.7 percentage point of GDP was

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

driven by oil sector revenue). However, the revenue gain has been partially offset by higher fuel subsidies to the domestic market, a result of price controls. The baseline projection assumes that fuel subsidies will be eliminated over 2024-2025 in line with the authorities' intention to gradually eliminate fuel subsidies over the medium term.[1] As a result, spending on subsidies and transfers, including fuel and other subsidies, is expected to peak in 2022 at around 4.1 percent of GDP and gradually decrease in the following years. Overall fiscal deficit (excluding grants, payment order basis) is expected to average 0.9 percent of GDP (2023-2027).

- The current account balance is projected to improve in 2022, as higher oil and non-oil commodity exports outweigh the increase in imports, but is expected to widen as oil prices decline, averaging at around 2.7 percent of GDP in the medium term. Net foreign direct investment (FDI) inflows are expected to recover and average 2.3 percent of GDP in the medium term, close to the level observed in 2019. Given a continued fiscal consolidation in the medium term, building a more conducive business environment and enhancing governance is critical to attract more private investment including FDI. On this front, reforms such as revising law No 2013/004 of April 18, 2013 (SB 9) and eliminating CIT holidays (new SB 19) could help to rationalize incentives and promote healthy competition going forward, contributing to economic diversification.

**Long Term, 2028-2042**

- Long-term growth has been revised downward to 4.8 percent from 5.4 percent projected in earlier-2022 considering lingering effects from the pandemic, Russia's invasion of Ukraine, and slower global growth. The projection is predicated on a successful—albeit delayed—implementation of Cameroon's national development strategy, SND-30, that aims to boost growth, including through accelerating structural reforms and strengthening SOE management and oversight, while promoting economic diversification.[2] The strategy also aims to finalize delayed infrastructure projects (Lom Pangar dam, the Memve'ele hydroelectric dam, and a drinking water supply projects), which are expected to boost production in key sectors (agriculture, manufacturing).
- Fiscal revenue is projected to increase, although to a lower level than previously projected, considering a more gradual pace of structural fiscal reforms given the recent shock. The implementation of the Medium-Term Revenue Strategy (MTRS) is expected to boost revenue mobilization. The baseline projection also assumes that a gradual fiscal consolidation will continue beyond the program horizon.

  Exports of goods and services are projected to decline as a share of GDP in the medium term, reflecting falling domestic oil production and lower projected global energy prices. The current account is expected to continue to improve in the medium term as non-oil exports remain dynamic, and imports grow at a lower rate. In the longer term, against the backdrop of higher gas prices, SNH ongoing projects will bring up gas production starting in 2025, which will help to improve exports-related debt sustainability indicators. The strength of non-oil exports is predicated on the success of measures envisaged—under SND-30 and the African Continental Free Trade Area (AFCTA)—to diversify export products, including through a new agency dedicated to export

[1] To manage the transition, the mitigation measures include increasing the minimum wage by 15.5 percent and public salaries by 5.2 percent and scaling up of cash transfers to the vulnerable by 100 percent.

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

**16. The baseline projection also reflects policy parameters in the context of the IMF-supported program and PPAs under the World Bank SDFP.** The IMF-supported program envisages a gradual fiscal consolidation path reflecting revenue measures, including strengthening tax and customs administration, streamlining tax exemptions, and recovering tax arrears. The assumptions on the fuel subsidy include a gradual reduction of the fuel subsidy to zero in 2025 through regular increases in domestic pump prices, after the hike in 2023. In addition, the baseline projection assumes that Cameroon will continue to remain on track implementing the PPAs on management of fiscal risks and on contracting of non-concessional debt[10], as part of the government's efforts to address key debt vulnerabilities. These measures will create space to support spending with higher economic and social impact and strengthen public investment, which would result in a gradual recovery in the medium term, followed by a more benign growth outlook, higher export bases, and stronger revenue mobilization in the long run.

### Text Table 6. Cameroon: Key Macroeconomic Assumptions[1]

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2023-2027 | 2028-2042 |
|---|---|---|---|---|---|---|---|---|---|
| **Real GDP growth (percent)** | | | | | | | | | |
| Current | 3.6 | 3.4 | 4.3 | 4.4 | 4.5 | 4.6 | 4.7 | 4.5 | 4.8 |
| ECF-EFF 2nd review | 3.6 | 3.8 | 4.6 | 4.7 | 5.0 | 4.9 | 4.9 | 4.8 | 4.9 |
| ECF-EFF 1st review | 3.5 | 4.5 | 4.8 | 5.0 | 5.1 | 5.1 | 5.2 | 5.0 | 5.4 |
| ECF-EFF program request | 3.6 | 4.6 | 4.9 | 5.3 | 5.4 | 5.6 | 5.6 | 5.3 | 5.8 |
| **Inflation (CPI, period average)** | | | | | | | | | |
| Current | 2.3 | 5.3 | 5.9 | 4.7 | 3.0 | 2.3 | 2.0 | 3.6 | 2.0 |
| ECF-EFF 2nd review | 2.3 | 4.6 | 2.8 | 2.6 | 2.1 | 2.1 | 2.0 | 2.3 | 2.0 |
| ECF-EFF 1st review | 2.3 | 2.1 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| ECF-EFF program request | 2.3 | 2.1 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| **Overall fiscal balance (excl. grants, payment order basis, percent of GDP)** | | | | | | | | | |
| Current | -3.2 | -2.4 | -1.1 | -0.9 | -0.5 | -0.8 | -1.2 | -0.9 | -1.6 |
| ECF-EFF 2nd review | -2.6 | -2.5 | -0.5 | -0.6 | -0.6 | -1.4 | -1.4 | -0.9 | -1.0 |
| ECF-EFF 1st review | -3.4 | -2.4 | -0.6 | -0.8 | -0.4 | -0.6 | -1.0 | -0.7 | -1.6 |
| ECF-EFF program request | -3.3 | -3.0 | -2.4 | -2.2 | -1.3 | -1.4 | -1.8 | -1.8 | -1.6 |
| **Total revenue (excl. grants, percent of GDP)** | | | | | | | | | |
| Current | 13.7 | 15.6 | 15.1 | 15.0 | 15.0 | 15.1 | 15.3 | 15.1 | 16.8 |
| ECF-EFF 2nd review | 13.9 | 14.9 | 15.6 | 15.4 | 15.4 | 15.3 | 15.3 | 15.4 | 16.4 |
| ECF-EFF 1st review | 13.6 | 14.4 | 15.6 | 15.9 | 16.4 | 17.0 | 17.0 | 16.4 | 17.1 |
| ECF-EFF program request | 14.3 | 15.1 | 15.5 | 16.0 | 16.6 | 17.2 | 17.4 | 16.5 | 18.0 |
| **Total expenditure (percent of GDP)** | | | | | | | | | |
| Current | 16.9 | 18.0 | 16.2 | 16.0 | 15.5 | 15.9 | 16.4 | 16.0 | 18.4 |
| ECF-EFF 2nd review | 16.5 | 17.4 | 16.1 | 16.0 | 15.9 | 16.7 | 16.7 | 16.3 | 17.4 |
| ECF-EFF 1st review | 17.0 | 16.7 | 16.2 | 16.8 | 16.8 | 17.6 | 18.0 | 17.1 | 18.8 |
| ECF-EFF program request | 17.9 | 18.0 | 17.7 | 18.0 | 17.9 | 18.6 | 19.1 | 18.2 | 19.3 |
| **Current account balance (incl. grants, percent of GDP)** | | | | | | | | | |
| Current | -4.0 | -1.6 | -2.8 | -3.0 | -2.6 | -2.5 | -2.5 | -2.7 | -2.8 |
| ECF-EFF 2nd review | -4.0 | -2.1 | -2.6 | -3.2 | -3.3 | -3.2 | -2.9 | -3.0 | -2.4 |
| ECF-EFF 1st review | -3.4 | -2.0 | -3.1 | -3.2 | -3.1 | -3.0 | -2.8 | -3.1 | -2.6 |
| ECF-EFF program request | -4.0 | -3.6 | -3.4 | -3.2 | -2.8 | -2.5 | -2.3 | -2.9 | -2.1 |
| **Exports of goods and services (percent of GDP)** | | | | | | | | | |
| Current | 16.4 | 20.2 | 18.0 | 17.2 | 17.0 | 16.9 | 16.9 | 17.2 | 16.6 |
| ECF-EFF 2nd review | 18.2 | 22.4 | 20.1 | 18.2 | 17.4 | 16.8 | 16.4 | 17.8 | 15.4 |
| ECF-EFF 1st review | 17.3 | 19.0 | 17.4 | 16.7 | 16.4 | 16.2 | 15.9 | 16.5 | 14.7 |
| ECF-EFF program request | 17.6 | 18.0 | 17.5 | 17.5 | 17.5 | 17.5 | 17.4 | 17.5 | 15.6 |
| **Oil price (US dollars per barrel)** | | | | | | | | | |
| Current | 69.2 | 96.4 | 81.9 | 77.1 | 72.6 | 69.1 | 66.4 | 73.4 | 70.4 |
| ECF-EFF 2nd review | 69.1 | 106.8 | 92.6 | 84.2 | 78.5 | 74.7 | 72.5 | 80.5 | 80.6 |
| ECF-EFF 1st review | 69.8 | 75.7 | 70.2 | 67.3 | 65.2 | 63.8 | 63.1 | 65.9 | 70.2 |
| ECF-EFF program request | 58.5 | 54.8 | 52.5 | 51.3 | 50.7 | 50.5 | 50.5 | 51.1 | 50.5 |

Sources: Cameroonian authorities; IMF staff calculations.

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

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

**17. Financing assumptions have been updated based on the most recent data.** Cameroon's public gross financing needs over the 2022-24 period are estimated at around CFAF 4,800 billion (17.6 percent of 2022 GDP), of which around 70 percent (on average) is assumed to be financed externally.[11] The DSA reflects IMF financing of CFAF 298 billion and prospective budget support from donors amounting to CFAF 399 billion in 2022-2024. External project financing is based on the budget, and the mix of new disbursements is assumed to follow the composition of SENDs as of end-2021. After 2025, the composition gradually shifts towards commercial borrowing with a decreasing grant element.[12] The timing of such transition is assumed not to be associated with heightened pressure as the global financial conditions are assumed to be eased by then.[13] Financing terms for IDA reflect Cameroon's status as a blend county and were updated to account for the new IDA 20 instruments. In line with the previous DSA, domestic financing assumptions reflect a gradually increasing share of longer maturity bonds following the authorities' MTDS. In 2022, the authorities have successfully added new types of issuances, including 4-Year OTA and 7-year ECMR to further diversify treasury bonds.

**18. Financing assumptions regarding SONARA take into account SONARA's performance in 2022, and the restructuring of SONARA is not assumed.** The authorities will pursue measures aimed at ensuring the financial viability of SONARA. This involves: i) rapidly concluding the negotiations on the restructuring of the debt vis-à-vis the marketers under the same conditions as those concluded with the banking traders, respecting the *pari-passu* clause; ii) validating any shortfalls and/or overpayments on a monthly basis, and settling the amounts owed by the debtor party within a maximum period of 60 days; iii) requiring SONARA to pay the taxes and customs duties it owes to the Treasury on a regular basis; (iv) ensuring that marketers are authorized to import a volume of petroleum products compatible with the financial commitments. The authorities are determined to pursue the industrial, financial and functional restructuring of SONARA in accordance with the recommendations of the Inter-ministerial Committee. On debt restructuring, it reached agreement with its main supplier in September 2022 to pay down its debt (the value of debt was CFAF 183 billion in December 2022, accounting for 24 percent of the total debt and 48 percent of the external debt, in the next 10 years with an interest rate of 5.5 percent, one step forward after restructuring debt with domestic banks in October 2021.[14] Other suppliers are expected to sign similar agreements in 2023, although concreate plans and timelines are yet to be formulated. [15] On the other hand,

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[11]This is higher than suggested by the authorities' MTDS which indicate external financing shares for the period 2022-2024 as 68%, 66%, 64% respectively.

[12] The recent decree announced in October 2022, including a performance-based evaluation for the project coordinator, will help accelerate the disbursement process.

[13] According to the latest global assumptions, the tightening of global financial conditions is expected to halt in later 2023 and the interest rates will start to decline in Q1 2024.

[14] In October 2021, SONARA signed an agreement with local banks to restructure its debt. The total amount owed to local banks is agreed at CFAF 261 billion, to be repaid over 10 years with an interest of 5.5 percent per year. The DSA reflects this revised repayment schedule, assuming that the difference between the restructured amount (CFAF 261 billion) and the end-2020 bank debt (CFAF 287 billion) has been repaid in 2021. As in the previous DSA, letters of credit provided by domestic banks (CFAF 171.8 billion at end-2021) were excluded from SONARA's debt stock given their short-term revolving nature. Restructuring of SONARA's external debt is not assumed in the baseline. Short-term external debt to external oil traders (CFAF 213 billion) and medium- and long-term external debt due for repayments in 2020 and 2021 (estimated at around CFAF 31 billion respectively) were classified as arrears, reduced by CFAF 54 billion reflecting repayments made by the state.

[15] In September 2022, the authorities approved a restructuring framework for SONARA and terms of reference for technical, economic, and financial studies, as well as a plan of action activities, which will be finalized and submitted to IMF staff (SB14, June 2023).

SONARA—functioning as an importer of refined oil—witnessed a drop of sales by 18 percent with an operating loss in 2022. Against the backdrop of deteriorating operating performance, a projected zero net income instead of positive income is assumed in the DSA, while the cost of potential reconstruction of the refinery operation is not incorporated in the baseline. The assumption will be further updated upon receiving the final plan of a financial, industrial, and functional restructuring of SONARA.

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

**20. The forecast realism tool indicates different debt dynamics compared to historical developments, suggesting potential challenges (Figure 4).** The real GDP growth is projected to help reduce further the external debt ratio, while the changes of the exchange rate are expected to have a very limited impact on the external debt dynamics. The projected improvement in the public debt ratio is driven by the declining primary deficit reflecting expected fiscal consolidation and stronger real GDP growth. The unexpected increase in public debt during the past 5 years is higher compared to other LICs.[16] Large unexplained residuals for past debt-creating flows highlight risks but may be explained by broadened debt perimeter including domestic arrears and SONARA's debt.

## COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

**21. Cameroon's debt carrying capacity remains weak.** The Composite Indicator (CI) score based on the October 2022 WEO projections and the 2021 World Bank CPIA score is 2.568, signaling a weak debt-carrying capacity.[17] The lower CI score compared to the previous DSA mainly reflects lower reserves, remittances, and world economic growth. (Text Table 7).

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

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

Text Table 7. Cameroon: Calculation of the CI Index

| | |
|---|---|
| **Country** | Cameroon |
| **Country Code** | **622** |

| | |
|---|---|
| **Debt Carrying Capacity** | **Weak** |

| Final | Classification based on current vintage | Classification based on the previous vintage | Classification based on the two previous vintage |
|---|---|---|---|
| Weak | Weak<br>2.568 | Weak<br>2.67 | Weak<br>2.70 |

**Reference: Thresholds by Classiciation**

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

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

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

# DEBT SUSTAINABILITY

## EXTERNAL DEBT SUSTAINABILITY

23. **External risk of debt distress is assessed to be high as two indicators breach the thresholds under the baseline scenario (Figure 1 and Table 3).** The external debt service-to-exports ratio and the external debt service-to-revenue ratio breach their respective thresholds for a prolonged period. On the other hand, debt service-to-revenue ratio shows a gradual downward path due to stronger revenue prospects, declining below the threshold after 2028. On the longer end, the upticks reflect a jump of debt service due to the maturing Eurobond. The PV of debt-to-exports ratio declines somewhat below the threshold.

24. **Under stress tests, thresholds for all four indicators are breached.** The commodity price shock is the most extreme shock scenario for external debt indicators.[18] Historical scenario points towards exploding PV of debt-to-exports, which reflects large historical current account deficit. This differs from the projection under the baseline, which assumes the improvement in the current account balance driven by

[18] While extreme shocks have been varying due to updated assumptions in exchange rate, real GDP and inflation, the primary balance and export shocks, which were extreme shocks in the previous vintages, remain critical to debt sustainability, requiring the authorities' continued effort in fiscal consolidation and increasing non-oil exports through diversification.

dynamic non-oil exports and moderate imports growth supported by fiscal balance converging to the CEMAC criterion.

## PUBLIC DEBT SUSTAINABILITY

**25. Overall risk of public debt distress is assessed to be high as the PV of debt-to-GDP ratio breaches the benchmark under the baseline scenario in 2022-23.** However, this ratio is projected to fall below the benchmark in 2024 and remain below it onwards. The PV of debt-to-revenue ratio and the debt service-to-revenue ratio are also projected to decline gradually, after a temporal uptick in 2023.[19] The most extreme shock for public debt indicators, including the PV of debt-to-GDP ratio, the PV of debt-to-revenue ratio and debt-service-to-revenue ratio, are the commodity price shock.[20] The historical scenario projects an explosive path for the PV of debt-to-GDP and PV of debt-to-revenue ratios, which is mainly driven by large historical primary deficits compared to projections.

## MARKET MODULE

**26. The market financing tool points to moderate risks associated with market financing pressures (Figure 5)**. Cameroon's maximum three-year gross financing needs are estimated at 6 percent of GDP, which is lower than the suggested benchmark (14 percent). The latest available EMBI spread for Cameroon (618 bps as of February 9, 2023) is above the benchmark (570 bps) but has been dropping significantly from the peak above-750 in early January 2023.[21] On the other hand, the current spread data are based on a very thin market consisting of one bond with an outstanding value of US$200 million. With the EMBI spread breaching its threshold, the module signals moderate market financing pressures.

## RISK RATING AND VULNERABILITIES

**27. Cameroon is at high risk of debt distress, but debt remains sustainable.** The risk of external debt distress remains high as two out of four indicators temporarily breach the thresholds under the baseline scenario. In addition, the PV of public debt-to-GDP ratio is above the benchmark, indicating a high risk of overall debt distress. However, Cameroon's external debt stock indicators continue to lie below the threshold, and its external debt service indicators have improved supported by the authorities' active debt management. Both the debt service-to-exports ratio and the debt service-to-revenue ratio, albeit above the thresholds, will be in a gradual downward trend. Taking all the above into consideration, staff maintains the assessment that Cameroon's debt is sustainable given the authorities' commitment to program objectives, including fiscal consolidation efforts, and active debt management. The likelihood that Cameroon will not be able to meet its current and future financial obligations is low.

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

[20] For the commodity price shock stress test, initial price drop of 51 percent for fuel products and 34 percent for other agricultural commodities is assumed, with a mitigating factor of 14 percent for fuel products. The gap is assumed to close in 6 years.

[21] The EMBI index cited in the previous DSA vintages has stopped being updated since July 2022. The current DSA cites the data from IMF MCM's Sovereign Spread Monitor.

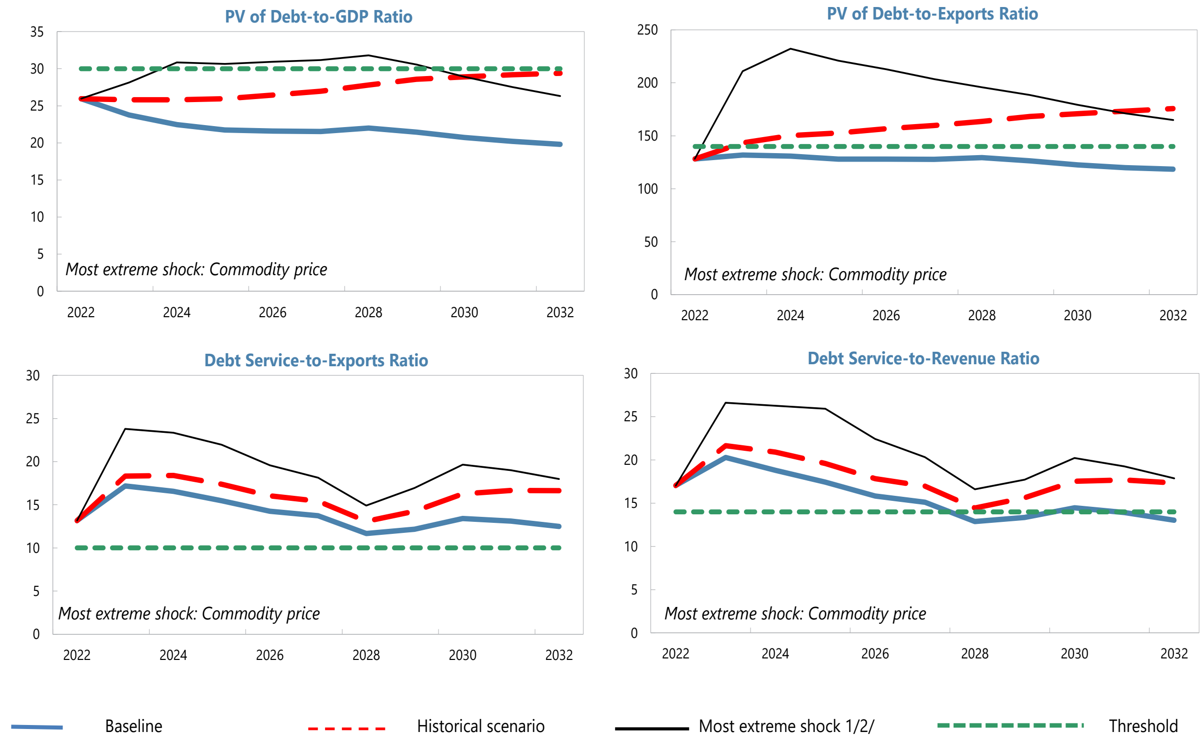
**28. The risks are tilted to the downside.** On the external front, the ongoing Russia's invasion of Ukraine could set back the global recovery and prolong supply disruptions, casting additional pressure on the Cameroonian economy. Tightening global financial conditions could increase borrowing costs, while the market financing tools remain narrow. That said, the share of loans associated with variable interest rates is small at 15.9 percent of total debt as of September 2022, and commercial borrowing remains moderate at 13 percent of external debt, or 8.5 percent of total debt as of September 2022. A downward adjustment of global energy prices could lead to deterioration of both exports and fiscal revenue. On the domestic front, rising food and fuel prices could intensify socio-economic tensions, while continuing fuel subsidy could reduce fiscal space and derail Cameroon's fiscal consolidation efforts. Delayed restructuring of SONARA's debt would jeopardize debt sustainability. Regional security conflicts—if not well contained—could also compound the fiscal challenges. Other risks include realization of contingent liabilities from bank restructuring and from SOEs not included in the DSA baseline, and an acceleration in disbursements due to the large stock of SENDs.

**29. To mitigate risks, Cameroon should firmly push forward its reform agenda to ensure its debt sustainability, while aligning its debt policy with other economic and social objectives.** First, keeping public debt dynamics on a sustainable path requires a gradual fiscal consolidation. Improving fiscal deficit in the short term is needed to ensure debt sustainability. This should be coupled with structural fiscal reforms including further reducing the fuel subsidies and enhancing revenue mobilization. A prudent borrowing policy skewed towards concessional loans and limiting reliance on non-concessional borrowing should be pursued, while strengthening the management of the SENDs. On the other hand, redirecting resources with targeted spending should be strengthened, using windfall oil revenue gains for areas such as protecting the most vulnerable and prioritizing growth-enhancing public investment. Second, the authorities should closely monitor their debt servicing costs and actively manage their debt portfolio to minimize interest rate risks, amidst rising global financing costs. Third, vulnerable export-related debt indicators point to the need for improving competitiveness and achieving economic diversification. Reform momentum to improve the domestic business and investment environment should be accelerated, inviting more FDI and boosting exports. Lastly, the management of SOEs should be strengthened to reduce risks related to contingent liabilities. In particular, SONARA's debt restructuring efforts need to be further strengthened while fundamentally building its financial viability.

## AUTHORITIES' VIEWS

**30. The authorities emphasized that reducing debt vulnerabilities is a key priority to support economic development.** They acknowledged that the risk of debt distress remains high and subject to significant downside risks, including intensified trade disruptions due to the Russia's invasion of Ukraine and intensifying socio-political tensions. With regard to SONARA's debt restructuring, the authorities remained committed and will push forward the negotiations with stakeholders in 2023, completing SONARA's restructuring plan, including industrial and financial options. The authorities remain committed to an improvement of Cameroon's debt risk assessment, which will depend on continued active debt management, exports, and budgetary revenue performance, as well as the country's CI score, which reflects the country's debt carrying capacity. In 2023, the government will prepare a strategy to develop domestic financing by encouraging the participation of non-bank investors.

## Figure 1. Cameroon: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2022–2032




| Customization of Default Settings | | |
|---|---|---|
| | Size | Interactions |
| **Tailored Stress** | | |
| **Combined CL** | No | |
| **Natural disaster** | n.a. | n.a. |
| **Commodity price** | No | No |
| **Market financing** | No | No |

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

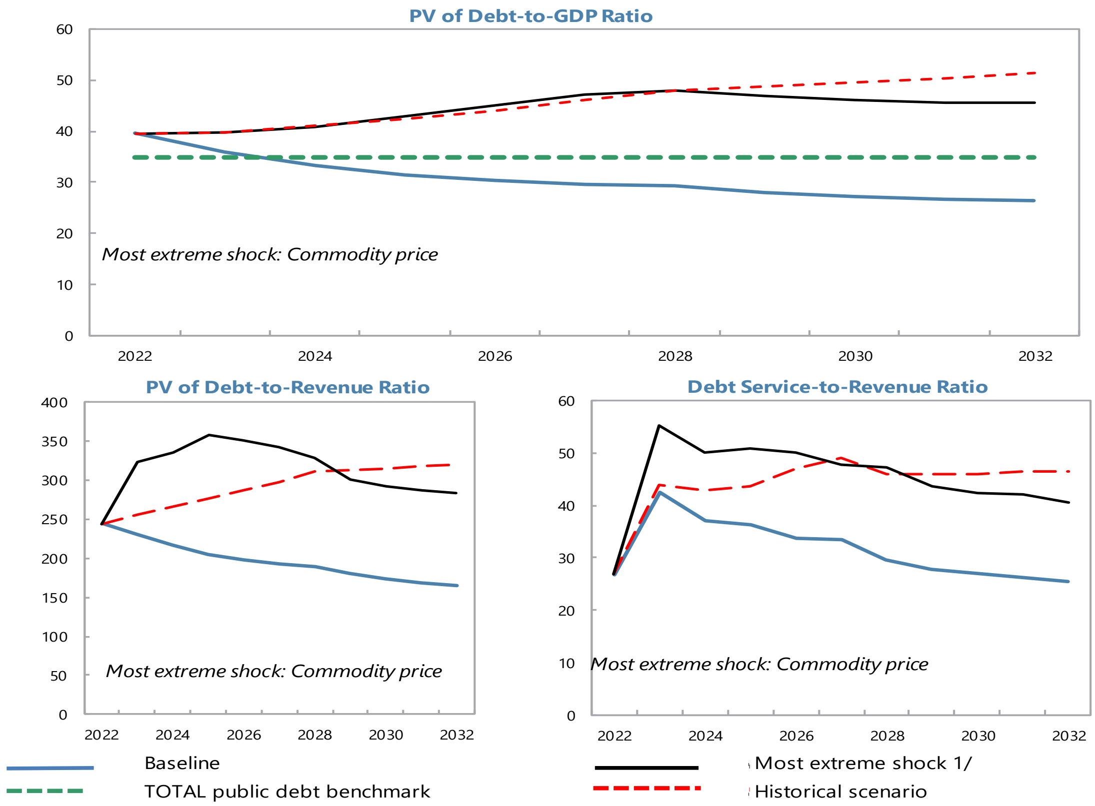
| Borrowing assumptions on additional financing needs resulting from the stress tests* | | |
|---|---|---|
| | Default | User defined |
| **Shares of marginal debt** | | |
| **External PPG MLT debt** | 100% | |
| **Terms of marginal debt** | | |
| **Avg. nominal interest rate on new borrowing in USD** | 2.2% | 2.2% |
| **USD Discount rate** | 5.0% | 5.0% |
| **Avg. maturity (incl. grace period)** | 22 | 22 |
| **Avg. grace period** | 5 | 5 |

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.
2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

## Figure 2. Cameroon: Indicators of Public Debt under Alternative Scenarios, 2022–2032




| Borrowing assumptions on additional financing needs resulting from the stress tests* | Default | User defined |
|---|---|---|
| **Shares of marginal debt** | | |
| **External PPG medium and long-term** | 59% | 59% |
| **Domestic medium and long-term** | 28% | 28% |
| **Domestic short-term** | 13% | 13% |
| **Terms of marginal debt** | | |
| **External MLT debt** | | |
| **Avg. nominal interest rate on new borrowing in USD** | 2.2% | 2.2% |
| **Avg. maturity (incl. grace period)** | 22 | 22 |
| **Avg. grace period** | 5 | 5 |
| **Domestic MLT debt** | | |
| **Avg. real interest rate on new borrowing** | 2.5% | 2.5% |
| **Avg. maturity (incl. grace period)** | 3 | 3 |
| **Avg. grace period** | 2 | 2 |
| **Domestic short-term debt** | | |
| **Avg. real interest rate** | 0.2% | 0.2% |

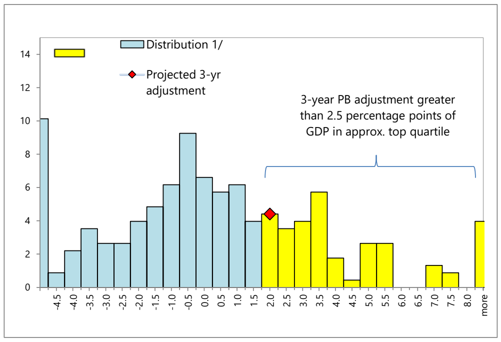
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

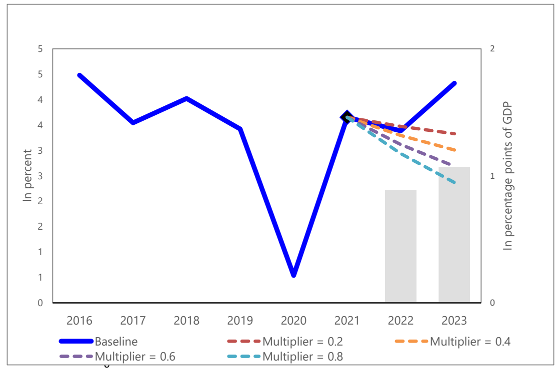
## Figure 3. Cameroon: Realism Tools

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



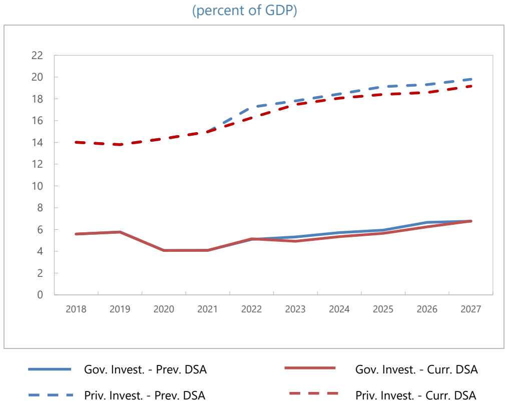

1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

**Fiscal Adjustment and Possible Growth Paths 1/**




1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

**Public and Private Investment Rates**
(percent of GDP)




**Contribution to Real GDP growth**
(percent, 5-year average)

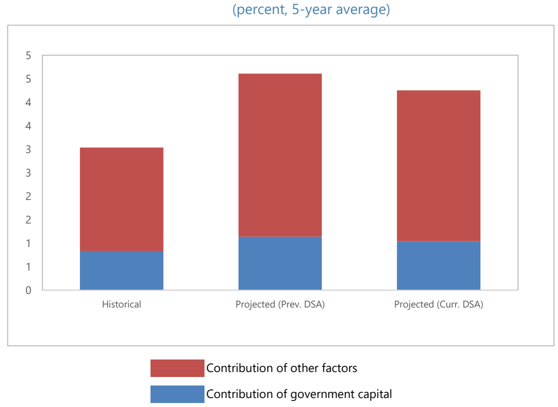
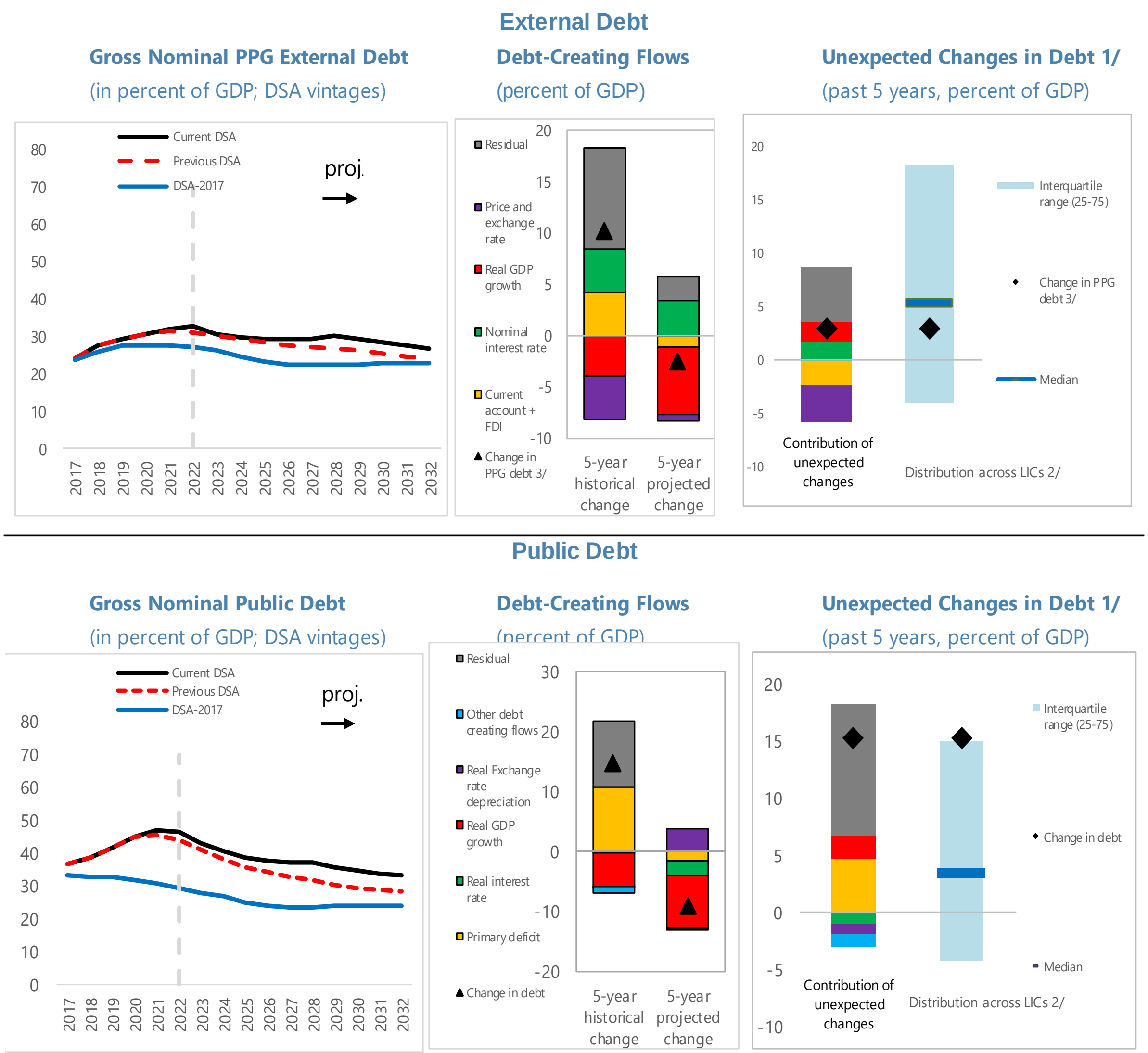


Figure 4. Cameroon: Drivers of Debt Dynamics- Baseline Scenario




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

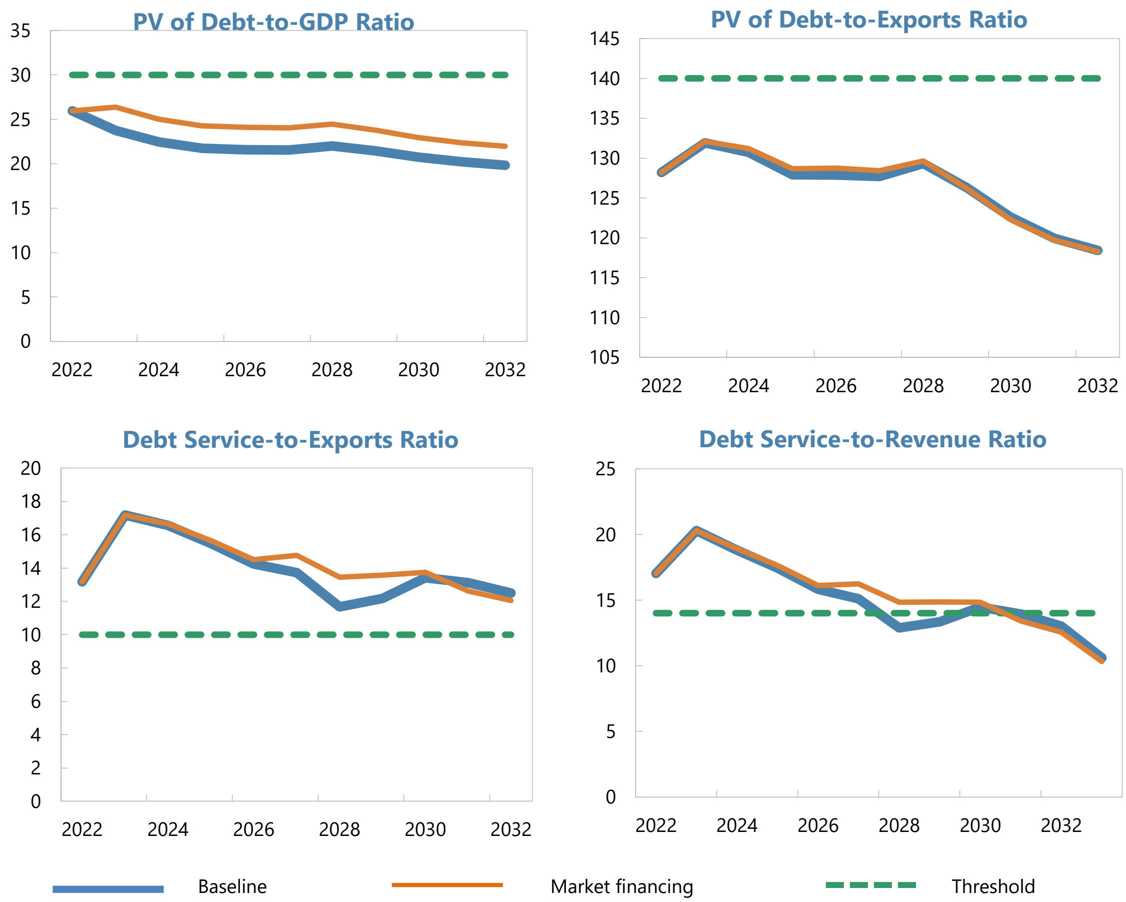
2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

## Figure 5. Cameroon: Market- Financing Risk Indicators

| | GFN 1/ | EMBI 2/ |
|---|---|---|
| Benchmarks | 14 | 570 |
| Values | 6 | 682 |
| Breach of benchmark | No | Yes |
| Potential heightened liquidity needs | Moderate | |

1/ Maximum gross financing needs (GFN) over 3-year baseline projection horizon.
2/ EMBI spreads correspond to the latest available data.

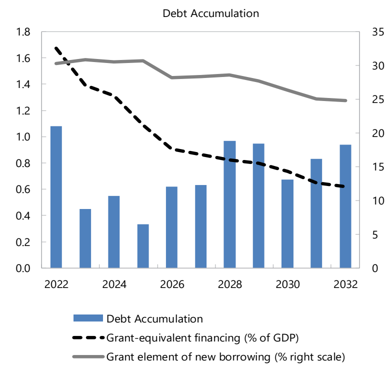



Sources: Country authorities; and staff estimates and projections.

## Table 1. Cameroon: External Debt Sustainability Framework, Baseline Scenario, 2019–2042
### (In percent of GDP, unless otherwise indicated)

| | Actual | | | Projections | | | | | | | | Average 8/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2032 | 2042 | Historical | Projections |
| **External debt (nominal) 1/** | 32.9 | 32.3 | 33.4 | 34.5 | 32.3 | 31.4 | 30.9 | 30.8 | 31.0 | 27.9 | 21.1 | **24.2** | **30.9** |
| ***of which: public and publicly guaranteed (PPG)*** | 29.4 | 30.5 | 31.7 | 32.7 | 30.5 | 29.7 | 29.1 | 29.2 | 29.4 | 26.7 | 20.3 | **22.1** | **29.3** |
| | | | | | | | | | | | | | |
| Change in external debt | 3.5 | -0.6 | 1.0 | 1.1 | -2.2 | -0.8 | -0.5 | 0.0 | 0.1 | -0.8 | -1.4 | | |
| **Identified net debt-creating flows** | 2.2 | 1.3 | -1.3 | -1.4 | -0.5 | -0.5 | -0.9 | -1.0 | -1.1 | -0.3 | -0.1 | **0.6** | **-0.8** |
| **Non-interest current account deficit** | 3.2 | 3.1 | 3.2 | 1.1 | 2.1 | 2.2 | 1.9 | 1.8 | 1.8 | 2.3 | 1.7 | **2.8** | **1.9** |
| Deficit in balance of goods and services | 3.4 | 2.7 | 3.5 | 1.6 | 2.7 | 2.7 | 2.5 | 2.3 | 2.3 | 2.9 | 2.4 | **2.8** | **2.4** |
| Exports | 19.5 | 15.0 | 16.4 | 20.2 | 18.0 | 17.2 | 17.0 | 16.9 | 16.9 | 16.7 | 16.1 | | |
| Imports | 22.9 | 17.6 | 19.9 | 21.9 | 20.8 | 19.9 | 19.5 | 19.2 | 19.2 | 19.6 | 18.5 | | |
| Net current transfers (negative = inflow) | -1.3 | -1.0 | -1.1 | -1.4 | -1.1 | -0.9 | -1.0 | -0.9 | -0.9 | -1.0 | -1.1 | **-1.1** | **-1.0** |
| *of which: official* | -0.3 | -0.2 | -0.2 | -0.6 | -0.2 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Other current account flows (negative = net inflow) | 1.1 | 1.4 | 0.8 | 0.9 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | **1.1** | **0.4** |
| **Net FDI (negative = inflow)** | -2.3 | -1.5 | -2.0 | -1.8 | -2.0 | -2.1 | -2.2 | -2.2 | -2.2 | -1.9 | -1.4 | **-2.0** | **-2.1** |
| **Endogenous debt dynamics 2/** | 1.3 | -0.3 | -2.4 | -0.7 | -0.6 | -0.5 | -0.6 | -0.7 | -0.7 | -0.7 | -0.4 | | |
| Contribution from nominal interest rate | 1.0 | 0.6 | 0.8 | 0.5 | 0.7 | 0.8 | 0.7 | 0.7 | 0.7 | 0.6 | 0.5 | | |
| Contribution from real GDP growth | -1.0 | -0.2 | -1.1 | -1.2 | -1.3 | -1.3 | -1.4 | -1.4 | -1.4 | -1.3 | -0.9 | | |
| Contribution from price and exchange rate changes | 1.3 | -0.8 | -2.2 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| **Residual 3/** | 1.2 | -1.9 | 2.3 | 2.5 | -1.7 | -0.4 | 0.4 | 1.0 | 1.2 | -0.5 | -1.3 | **1.7** | **0.4** |
| *of which: exceptional financing* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| | | | | | | | | | | | | | |
| **Sustainability indicators** | | | | | | | | | | | | | |
| **PV of PPG external debt-to-GDP ratio** | ... | ... | 23.9 | 26.0 | 23.7 | 22.5 | 21.7 | 21.6 | 21.5 | 19.8 | 15.9 | | |
| **PV of PPG external debt-to-exports ratio** | ... | ... | 145.5 | 128.2 | 131.9 | 130.7 | 127.9 | 127.9 | 127.7 | 118.4 | 98.8 | | |
| **PPG debt service-to-exports ratio** | 19.3 | 10.2 | 20.4 | 13.2 | 17.2 | 16.6 | 15.5 | 14.2 | 13.7 | 12.5 | 10.1 | | |
| **PPG debt service-to-revenue ratio** | 25.2 | 11.5 | 23.6 | 17.0 | 20.3 | 18.8 | 17.5 | 15.8 | 15.1 | 13.0 | 8.7 | | |
| Gross external financing need (Billion of U.S. dollars) | 3.0 | 1.6 | 2.3 | 1.1 | 1.7 | 1.7 | 1.4 | 1.3 | 1.3 | 2.1 | 3.0 | | |
| | | | | | | | | | | | | | |
| **Key macroeconomic assumptions** | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 3.4 | 0.5 | 3.6 | 3.4 | 4.3 | 4.4 | 4.5 | 4.6 | 4.7 | 4.8 | 4.4 | **4.1** | **4.5** |
| GDP deflator in US dollar terms (change in percent) | -4.1 | 2.4 | 7.2 | -6.8 | 6.6 | 3.6 | 0.3 | -1.0 | -1.6 | 1.8 | 1.5 | **0.2** | **0.6** |
| Effective interest rate (percent) 4/ | 3.5 | 1.9 | 2.7 | 1.3 | 2.3 | 2.6 | 2.5 | 2.3 | 2.3 | 2.2 | 2.5 | **3.2** | **2.2** |
| Growth of exports of G&S (US dollar terms, in percent) | 5.5 | -21.0 | 22.1 | 18.6 | -1.1 | 3.2 | 3.7 | 2.9 | 3.1 | 6.0 | 5.8 | **0.9** | **5.4** |
| Growth of imports of G&S (US dollar terms, in percent) | 7.6 | -20.7 | 25.5 | 5.7 | 5.5 | 3.7 | 2.8 | 2.1 | 2.9 | 7.2 | 5.1 | **2.0** | **5.0** |
| Grant element of new public sector borrowing (in percent) | ... | ... | ... | 30.3 | 30.9 | 30.5 | 30.7 | 28.1 | 28.3 | 24.8 | 21.2 | **...** | **28.3** |
| Government revenues (excluding grants, in percent of GDP) | 14.9 | 13.3 | 14.2 | 15.7 | 15.2 | 15.1 | 15.1 | 15.2 | 15.3 | 16.1 | 18.9 | **14.9** | **15.5** |
| Aid flows (in Billion of US dollars) 5/ | 2583.0 | 0.1 | 0.1 | 0.4 | 0.4 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.1 | | |
| Grant-equivalent financing (in percent of GDP) 6/ | ... | ... | ... | 1.7 | 1.4 | 1.3 | 1.1 | 0.9 | 0.9 | 0.6 | 0.2 | **...** | **1.0** |
| Grant-equivalent financing (in percent of external financing) 6/ | ... | ... | ... | 38.7 | 37.1 | 36.3 | 36.1 | 31.1 | 30.9 | 24.8 | 21.2 | **...** | **31.5** |
| Nominal GDP (Billion of US dollars) | 40 | 41 | 45 | 44 | 49 | 53 | 55 | 57 | 59 | 78 | 150 | | |
| Nominal dollar GDP growth | -0.8 | 3.0 | 11.1 | -3.7 | 11.2 | 8.2 | 4.8 | 3.6 | 3.1 | 6.7 | 6.0 | **4.3** | **5.2** |
| | | | | | | | | | | | | | |
| **Memorandum items:** | | | | | | | | | | | | | |
| PV of external debt 7/ | ... | ... | 25.6 | 27.7 | 25.5 | 24.2 | 23.5 | 23.2 | 23.1 | 21.0 | 16.7 | | |
| In percent of exports | ... | ... | 155.7 | 136.9 | 141.7 | 140.8 | 138.1 | 137.6 | 136.9 | 125.6 | 103.4 | | |
| Total external debt service-to-exports ratio | 25.0 | 16.0 | 23.9 | 15.6 | 19.0 | 18.0 | 17.0 | 15.8 | 15.2 | 13.7 | 10.9 | | |
| PV of PPG external debt (in Billion of US dollars) | | | 10.9 | 11.3 | 11.5 | 11.8 | 12.0 | 12.3 | 12.7 | 15.5 | 23.8 | | |
| (PVt-PVt-1)/GDPt-1 (in percent) | | | | 1.1 | 0.5 | 0.5 | 0.3 | 0.6 | 0.6 | 0.9 | -0.1 | | |
| Non-interest current account deficit that stabilizes debt ratio | -0.2 | 3.7 | 2.1 | 0.0 | 4.4 | 3.0 | 2.4 | 1.9 | 1.7 | 3.1 | 3.1 | | |

| Definition of external/domestic debt | Residency-based |
|---|---|
| Is there a material difference between the two criteria? | Yes |





Sources: Country authorities; and staff estimates and projections.

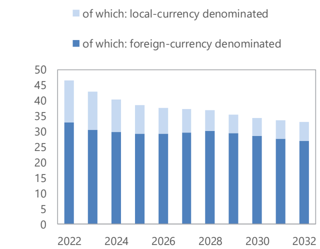
1/ Includes both public and private sector external debt.
2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.
3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.
4/ Current-year interest payments divided by previous period debt stock.
5/ Defined as grants, concessional loans, and debt relief.
6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).
7/ Assumes that PV of private sector debt is equivalent to its face value.
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

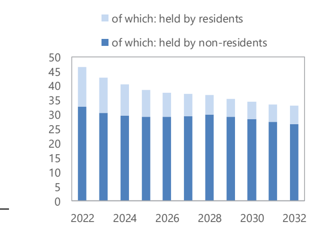
## Table 2. Cameroon: Public Sector Debt Sustainability Framework, Baseline Scenario, 2019–2042
### (In percent of GDP, unless otherwise indicated)

| | Actual | | | Projections | | | | | | | | Average 6/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2032 | 2042 | Historical | Projections |
| **Public sector debt 1/** | **41.6** | **44.9** | **46.8** | **46.4** | **42.8** | **40.4** | **38.5** | **37.5** | **37.2** | **33.0** | **29.6** | **32.5** | **37.8** |
| **of which: external debt** | **29.4** | **30.5** | **31.7** | **32.7** | **30.5** | **29.7** | **29.1** | **29.2** | **29.4** | **26.7** | **20.3** | **22.1** | **29.3** |
| Change in public sector debt | 3.3 | 3.3 | 1.9 | -0.4 | -3.7 | -2.4 | -1.9 | -1.0 | -0.4 | -0.6 | 0.0 | | |
| **Identified debt-creating flows** | **1.9** | **-0.1** | **1.7** | **-3.0** | **-3.1** | **-2.3** | **-2.5** | **-2.0** | **-1.6** | **-0.7** | **-0.1** | **1.9** | **-1.9** |
| **Primary deficit** | **1.9** | **2.1** | **1.5** | **0.6** | **-0.4** | **-0.6** | **-0.9** | **-0.4** | **0.0** | **0.7** | **0.8** | **2.7** | **0.0** |
| Revenue and grants | 15.5 | 13.5 | 14.4 | 16.2 | 15.6 | 15.4 | 15.3 | 15.3 | 15.4 | 16.1 | 18.9 | **15.1** | **15.6** |
| *of which: grants* | 0.6 | 0.1 | 0.3 | 0.5 | 0.3 | 0.3 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | | |
| Primary (noninterest) expenditure | 17.5 | 15.6 | 16.0 | 16.8 | 15.2 | 14.9 | 14.4 | 14.9 | 15.4 | 16.8 | 19.7 | **17.9** | **15.6** |
| **Automatic debt dynamics** | **-0.3** | **-2.2** | **0.1** | **-3.6** | **-2.7** | **-1.8** | **-1.6** | **-1.5** | **-1.6** | **-1.4** | **-0.9** | | |
| Contribution from interest rate/growth differential | -1.1 | 0.1 | -2.4 | -3.6 | -2.7 | -1.8 | -1.6 | -1.5 | -1.6 | -1.4 | -0.9 | | |
| *of which: contribution from average real interest rate* | 0.1 | 0.3 | -0.8 | -2.1 | -0.7 | 0.0 | 0.1 | 0.2 | 0.1 | 0.1 | 0.3 | | |
| *of which: contribution from real GDP growth* | -1.3 | -0.2 | -1.6 | -1.5 | -1.9 | -1.8 | -1.7 | -1.7 | -1.7 | -1.5 | -1.3 | | |
| Contribution from real exchange rate depreciation | 0.8 | -2.3 | 2.5 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| **Other identified debt-creating flows** | **0.2** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **-0.1** | **0.0** |
| Privatization receipts (negative) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Recognition of contingent liabilities (e.g., bank recapitalization) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Debt relief (HIPC and other) | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Other debt creating or reducing flow (please specify) | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| **Residual** | **1.4** | **3.4** | **0.3** | **2.6** | **-0.6** | **0.0** | **0.6** | **1.0** | **1.2** | **0.1** | **0.1** | **1.3** | **0.6** |
| **Sustainability indicators** | | | | | | | | | | | | | |
| **PV of public debt-to-GDP ratio 2/** | **...** | **...** | **40.1** | **39.5** | **36.0** | **33.4** | **31.4** | **30.3** | **29.7** | **26.5** | **25.5** | | |
| **PV of public debt-to-revenue and grants ratio** | **...** | **...** | **278.4** | **244.3** | **231.2** | **216.7** | **205.2** | **197.9** | **192.6** | **164.8** | **135.3** | | |
| **Debt service-to-revenue and grants ratio 3/** | **24.3** | **49.3** | **46.2** | **26.8** | **42.4** | **37.2** | **36.3** | **33.8** | **33.6** | **25.5** | **22.0** | | |
| Gross financing need 4/ | 7.7 | 8.7 | 8.2 | 5.0 | 6.2 | 5.2 | 4.7 | 4.7 | 5.1 | 4.8 | 4.9 | | |
| **Key macroeconomic and fiscal assumptions** | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 3.4 | 0.5 | 3.6 | 3.4 | 4.3 | 4.4 | 4.5 | 4.6 | 4.7 | 4.8 | 4.4 | **4.1** | **4.5** |
| Average nominal interest rate on external debt (in percent) | 2.8 | 2.1 | 2.2 | 1.2 | 2.0 | 2.5 | 2.3 | 2.2 | 2.1 | 2.1 | 2.4 | **2.8** | **2.1** |
| Average real interest rate on domestic debt (in percent) | -1.2 | 1.0 | -1.5 | -2.9 | -0.9 | -0.1 | 1.4 | 2.4 | 2.5 | 2.8 | 3.8 | **-1.2** | **1.4** |
| Real exchange rate depreciation (in percent, + indicates depreciation) | 3.0 | -8.0 | 8.9 | ... | ... | ... | ... | ... | ... | ... | ... | **2.2** | **...** |
| Inflation rate (GDP deflator, in percent) | 1.2 | 0.5 | 3.3 | 4.6 | 4.8 | 4.3 | 3.0 | 2.0 | 2.0 | 1.8 | 1.5 | **1.6** | **2.8** |
| Growth of real primary spending (deflated by GDP deflator, in percent) | 6.6 | -10.3 | 6.2 | 9.0 | -6.0 | 2.3 | 1.7 | 7.7 | 8.4 | 7.5 | 5.8 | **3.3** | **5.1** |
| Primary deficit that stabilizes the debt-to-GDP ratio 5/ | -1.3 | -1.2 | -0.4 | 1.0 | 3.2 | 1.8 | 1.0 | 0.5 | 0.3 | 1.3 | 0.8 | **-1.0** | **1.3** |
| PV of contingent liabilities (not included in public sector debt) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |

| | |
|---|---|
| **Definition of external/domestic debt** | **Residency-based** |
| **Is there a material difference between the two criteria?** | **Yes** |

Public sector debt 1/




Sources: Country authorities; and staff estimates and projections.
1/ Coverage of debt: The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt . Definition of external debt is Residency-based.
2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.
4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.
5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

## Table 3. Cameroon: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2022–2032 (In percent)

| | | | | | | Projections 1/ | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
| **PV of debt-to GDP ratio** | | | | | | | | | | | |
| **Baseline** | 26 | 24 | 22 | 22 | 22 | 22 | 22 | 21 | 21 | 20 | 20 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | 26 | 26 | 26 | 26 | 26 | 27 | 28 | 29 | 29 | 29 | 29 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 26 | 24 | 24 | 23 | 23 | 23 | 23 | 23 | 22 | 21 | 21 |
| B2. Primary balance | 26 | 26 | 29 | 28 | 28 | 29 | 30 | 29 | 28 | 27 | 27 |
| B3. Exports | 26 | 26 | 29 | 28 | 28 | 28 | 28 | 27 | 26 | 25 | 24 |
| B4. Other flows 3/ | 26 | 24 | 23 | 23 | 22 | 22 | 23 | 22 | 21 | 21 | 20 |
| B5. Depreciation | 26 | 30 | 25 | 25 | 24 | 24 | 25 | 24 | 23 | 23 | 23 |
| B6. Combination of B1-B5 | 26 | 27 | 25 | 24 | 24 | 24 | 24 | 24 | 23 | 22 | 22 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 26 | 29 | 28 | 27 | 28 | 29 | 29 | 29 | 28 | 27 | 27 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 26 | 28 | **31** | **31** | **31** | **31** | **32** | **31** | 29 | 28 | 26 |
| C4. Market Financing | 26 | 26 | 25 | 24 | 24 | 24 | 24 | 24 | 23 | 22 | 22 |
| **Threshold** | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| **PV of debt-to-exports ratio** | | | | | | | | | | | |
| **Baseline** | 128 | 132 | 131 | 128 | 128 | 128 | 129 | 126 | 123 | 120 | 118 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | 128 | **143** | **150** | **153** | **157** | **160** | **164** | **168** | **171** | **173** | **176** |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 128 | 132 | 131 | 128 | 128 | 128 | 129 | 126 | 123 | 120 | 118 |
| B2. Primary balance | 128 | **143** | **167** | **166** | **169** | **172** | **175** | **171** | **166** | **162** | **159** |
| B3. Exports | 128 | **166** | **216** | **212** | **213** | **213** | **216** | **210** | **201** | **195** | **190** |
| B4. Other flows 3/ | 128 | 135 | 136 | 133 | 133 | 133 | 135 | 131 | 127 | 124 | 122 |
| B5. Depreciation | 128 | 132 | 119 | 116 | 116 | 115 | 117 | 114 | 111 | 110 | 109 |
| B6. Combination of B1-B5 | 128 | **150** | 133 | **151** | **151** | **151** | **153** | **149** | **144** | **141** | 139 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 128 | **159** | **162** | **161** | **168** | **170** | **172** | **170** | **166** | **163** | **161** |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 128 | **211** | **232** | **221** | **213** | **203** | **196** | **189** | **179** | **171** | **165** |
| C4. Market Financing | 128 | 132 | 131 | 129 | 129 | 128 | 130 | 126 | 122 | 120 | 118 |
| **Threshold** | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 |
| **Debt service-to-exports ratio** | | | | | | | | | | | |
| **Baseline** | **13** | **17** | **17** | **15** | **14** | **14** | **12** | **12** | **13** | **13** | **13** |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | **13** | **18** | **18** | **17** | **16** | **15** | **13** | **14** | **16** | **17** | **17** |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | **13** | **17** | **17** | **15** | **14** | **14** | **12** | **12** | **13** | **13** | **13** |
| B2. Primary balance | **13** | **17** | **17** | **17** | **16** | **16** | **14** | **15** | **17** | **16** | **16** |
| B3. Exports | **13** | **20** | **23** | **22** | **20** | **20** | **17** | **18** | **22** | **21** | **20** |
| B4. Other flows 3/ | **13** | **17** | **17** | **16** | **14** | **14** | **12** | **12** | **14** | **14** | **13** |
| B5. Depreciation | **13** | **17** | **17** | **15** | **14** | **13** | **11** | **12** | **12** | **12** | **12** |
| B6. Combination of B1-B5 | **13** | **18** | **19** | **18** | **17** | **16** | **14** | **15** | **16** | **15** | **15** |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | **13** | **17** | **17** | **16** | **15** | **15** | **13** | **13** | **15** | **14** | **14** |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | **13** | **24** | **23** | **22** | **20** | **18** | **15** | **17** | **20** | **19** | **18** |
| C4. Market Financing | **13** | **17** | **17** | **16** | **14** | **15** | **13** | **14** | **14** | **13** | **12** |
| **Threshold** | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| **Debt service-to-revenue ratio** | | | | | | | | | | | |
| **Baseline** | **17** | **20** | **19** | **17** | **16** | **15** | 13 | 13 | **14** | 14 | 13 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | **17** | **22** | **21** | **20** | **18** | **17** | **14** | **16** | **18** | **18** | **17** |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | **17** | **21** | **20** | **18** | **17** | **16** | 14 | **14** | **15** | **15** | 14 |
| B2. Primary balance | **17** | **20** | **20** | **20** | **18** | **17** | **15** | **16** | **18** | **17** | **16** |
| B3. Exports | **17** | **21** | **20** | **19** | **17** | **17** | **14** | **16** | **18** | **17** | **16** |
| B4. Other flows 3/ | **17** | **20** | **19** | **18** | **16** | **15** | 13 | 14 | **15** | **14** | 13 |
| B5. Depreciation | **17** | **25** | **23** | **21** | **19** | **18** | **16** | **16** | **17** | **16** | **15** |
| B6. Combination of B1-B5 | **17** | **22** | **21** | **19** | **17** | **17** | **14** | **15** | **16** | **15** | **14** |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | **17** | **20** | **20** | **18** | **17** | **16** | **14** | **15** | **16** | **15** | **14** |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | **17** | **27** | **26** | **26** | **22** | **20** | **17** | **18** | **20** | **19** | **18** |
| C4. Market Financing | **17** | **20** | **19** | **18** | **16** | **16** | **15** | **15** | **15** | 13 | 13 |
| **Threshold** | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

## Table 4. Cameroon: Sensitivity Analysis for Key Indicators of Public Debt, 2022–2032

| | Projections 1/ | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
| | | | | | **PV of Debt-to-GDP Ratio** | | | | | | |
| **Baseline** | **40** | **36** | 33 | 31 | 30 | 30 | 29 | 28 | 27 | 27 | 26 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | **40** | **40** | **41** | **42** | **44** | **46** | **48** | **49** | **49** | **50** | **51** |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | **40** | **37** | **36** | 35 | 34 | 34 | 35 | 34 | 34 | 34 | 34 |
| B2. Primary balance | **40** | **40** | **43** | **41** | **40** | **39** | **38** | **37** | **36** | 35 | 34 |
| B3. Exports | **40** | **38** | **39** | **36** | **35** | 35 | 35 | 33 | 32 | 31 | 30 |
| B4. Other flows 3/ | **40** | **37** | 34 | 32 | 31 | 31 | 30 | 29 | 28 | 27 | 27 |
| B5. Depreciation | **40** | **42** | **38** | 35 | 32 | 31 | 30 | 27 | 25 | 24 | 23 |
| B6. Combination of B1-B5 | **40** | **38** | **39** | **37** | **35** | 34 | 34 | 32 | 31 | 30 | 29 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | **40** | **46** | **43** | **40** | **39** | **38** | **38** | **36** | **35** | 34 | 34 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | **40** | **40** | **41** | **43** | **45** | **47** | **48** | **47** | **46** | **46** | **46** |
| C4. Market Financing | **40** | **36** | 34 | 32 | 30 | 30 | 29 | 28 | 27 | 27 | 26 |
| **TOTAL public debt benchmark** | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 |
| | | | | | **PV of Debt-to-Revenue Ratio** | | | | | | |
| **Baseline** | 244 | 231 | 217 | 205 | 198 | 193 | 189 | 181 | 173 | 168 | 165 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | 244 | 256 | 265 | 277 | 288 | 298 | 311 | 313 | 315 | 318 | 320 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 244 | 240 | 236 | 228 | 225 | 223 | 224 | 219 | 214 | 212 | 211 |
| B2. Primary balance | 244 | 255 | 279 | 267 | 258 | 251 | 248 | 237 | 226 | 219 | 213 |
| B3. Exports | 244 | 243 | 250 | 238 | 231 | 226 | 223 | 213 | 202 | 195 | 189 |
| B4. Other flows 3/ | 244 | 235 | 222 | 211 | 204 | 198 | 195 | 186 | 178 | 173 | 169 |
| B5. Depreciation | 244 | 270 | 246 | 227 | 212 | 200 | 191 | 175 | 161 | 150 | 141 |
| B6. Combination of B1-B5 | 244 | 244 | 254 | 240 | 230 | 222 | 217 | 206 | 195 | 188 | 183 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 244 | 293 | 276 | 264 | 254 | 248 | 245 | 234 | 224 | 217 | 212 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 244 | 323 | 336 | 358 | 352 | 342 | 329 | 302 | 293 | 288 | 283 |
| C4. Market Financing | 244 | 231 | 217 | 206 | 199 | 193 | 190 | 180 | 173 | 168 | 165 |
| | | | | | **Debt Service-to-Revenue Ratio** | | | | | | |
| **Baseline** | 27 | 42 | 37 | 36 | 34 | 34 | 30 | 28 | 27 | 26 | 26 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2022-2032 2/ | 27 | 44 | 43 | 44 | 47 | 49 | 46 | 46 | 46 | 46 | 46 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 27 | 44 | 40 | 39 | 37 | 38 | 34 | 33 | 33 | 32 | 32 |
| B2. Primary balance | 27 | 42 | 42 | 44 | 44 | 46 | 36 | 34 | 35 | 32 | 32 |
| B3. Exports | 27 | 42 | 38 | 37 | 35 | 34 | 30 | 29 | 30 | 29 | 28 |
| B4. Other flows 3/ | 27 | 42 | 37 | 36 | 34 | 34 | 30 | 28 | 28 | 27 | 26 |
| B5. Depreciation | 27 | 43 | 42 | 40 | 37 | 37 | 32 | 31 | 31 | 30 | 28 |
| B6. Combination of B1-B5 | 27 | 41 | 41 | 41 | 41 | 42 | 32 | 29 | 29 | 27 | 26 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 27 | 42 | 49 | 40 | 53 | 40 | 33 | 34 | 31 | 29 | 28 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 27 | 55 | 50 | 51 | 50 | 48 | 47 | 44 | 42 | 42 | 41 |
| C4. Market Financing | 27 | 42 | 37 | 37 | 34 | 35 | 32 | 29 | 27 | 26 | 25 |

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.