

2024 -
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CAMEROON

Component: *Revenue and Spending*

Modules: *RM II – Revenue Administration*

SM I – Spending Policies

SM II – Managing Public Finances

PROJECT SUMMARY	
COUNTRY:	Cameroon
LEAD DEPARTMENT:	FAD
REGION:	AFR
PROGRAM ID:	[To be filled out by Secretariat]
PLANNED DATES:	FY25 – FY27
FUNDING PROGRAM TITLE:	[to be added by Secretariat]
PROJECT MANAGERS:	
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SM I – SPENDING POLICIES	Mochizuki, Junko - FADCP
SM II - MANAGING PUBLIC FINANCES	Gros, Jean Baptiste – FADM2
ESTIMATED BUDGET	\$1,457,764
BUDGET FOR ENDORSEMENT:	\$590,304

Contents

PROJECT SUMMARY	2
Acronyms	4
I. Project Purpose.....	5
II. Background	6
Macro-fiscal situation.....	6
Country engagement and alignment to reform priorities	6
IMF priority areas / cross-cutting themes	7
III. Project Modules - Description	7
Table 1. Summary of Objectives covered by the Proposal.....	7
A. RM II – Revenue Administration.....	7
Scope	7
Program Objectives	8
Expected Results (outcomes)	8
B. SM I – Spending Policies	8
Scope	8
Program Objectives	8
Expected Results (outcomes)	9
C. SM II – Managing Public Finances	9
Scope	9
Program Objectives	9
Expected Results (outcomes)	9
IV. Organizational Arrangements	10
A. Country Engagement	10
B. Delivery Modalities	10
C. Coordination / Cooperation	10
V. Risk Assessment and Mitigation.....	11
VI. CD Delivery Plan	12
Table 2. Summary of Indicative CD Delivery	12
Table 3. First year workplan.....	12
VII. Program Financials	13
A. RM II – Revenue Administration.....	13
B. SM I – Spending Policies	14
C. SM II – Managing Public Finances	14

ACRONYMS

AFC	Africa Regional Technical Assistance Center (AFRITAC) Central
CD	Capacity development
DP	Development partner
ECF	Extended credit facility/extended fund facility
EFF	Extended credit facility/extended fund facility
FAD	IMF's Fiscal Affairs Department
LTX	Long-term expert
NCP	National Climate Plan
PFM	Public financial management
PIM	Public investment management
RSF	Resilience and Stability Facility
STX	Short-term expert
TADAT	Tax Administration Diagnostic Assessment Tool

CAMEROON

I. PROJECT PURPOSE

The project will support capacity development (CD) activities closely linked to the implementation of the Extended Credit Facility/Extended Fund Facility (ECF/EFF) and Resilience Sustainability Fund (RSF) objectives. The program will focus on strengthening revenue administration, budget execution, climate budgeting, climate spending, as well as disaster-related spending.

The proposed project consists of the following Revenue and Spending CD modules, supporting revenue administration, climate resilience, and public financial management respectively. The activities will focus on improving revenue mobilization, help build strategies for climate and disaster spending, and mainstream climate change into public financial management and public investment management:

- **Under the Revenue Module (RM II)**, the CD will support the organization of the Tax Administration Diagnostic Assessment Tool (TADAT) assessment and its preparation, as well as provide assistance in managing tax arrears.
- **Under the Spending Policies module (SM I)**, the CD will support the development of a National Climate Plan (NCP), enhancing transparency and taxation in forestry and sustainable forestry management, and developing a disaster risk financing strategy.
- **Under the Managing Public Finances module (SM II)**, the CD will focus on budget preparation and execution, aiming to improve spending efficiency through enhanced transparency and budget execution. Additionally, it will ensure the consideration of climate change during the budgeting stage. To achieve better budget execution, a budget execution handbook will be developed to minimize the use of derogatory processes for spending. Regarding climate initiatives, the module will initially focus on green-sensitive budgeting and incorporating climate change considerations into project appraisal and selection manuals. Subsequently, a Climate Public Investment Management Assessment (C-PIMA) will be conducted to define new priorities for CD activities.

The estimated budget for this three-year project is \$1,457,764 but endorsement is requested for \$590,304 through FY25. Endorsement for future plans will be requested later as funding for the program is secured and reform plans gain traction. The project has been discussed with the authorities, and the medium-term objectives and outcomes were agreed upon.

II. BACKGROUND

Macro-fiscal situation

Cameroon is a fragile and conflict affected state (FCS) that continues to face development challenges rooted in economic and institutional weaknesses. In the recent years, Cameroon's growth recovery continued, despite strong external headwinds. Real GDP growth reached 3.6 percent in 2022 on the back of buoyant agroindustry and service sectors and is expected to reach 4.3 percent in 2024. Inflation remains high and is projected to reach over 5.9 percent on average in 2024 but is decelerating. Inflation in Cameroon is mostly driven by rising food prices and inflation expectations coupled with positive demand shocks and negative supply shocks. Despite a slight increase in the recent years, the level of non-oil tax revenue collection is still very low in Cameroon, rising from 11.3 to 11.8 percent of GDP between 2022 and 2023, and expected at 12.1 percent of GDP in 2024.

Cameroon's fiscal stance remained resilient, yet the country needs additional support to strengthen capacity given the multiple existing challenges including high risk of debt distress; low non-oil revenue; weak budgetary practices; institutional and governance weaknesses, internal divisions, social exclusion, insurgency, conflicts along borders, and a rising frequency of climate-related natural disasters. In particular, targeted support is needed to strengthen capacity for revenue administration, public finance management and climate-resilience. While higher oil prices and a weaker CFA franc led to more spending on the fuel subsidy, stronger revenue mobilization and the fuel subsidy carry-over to 2023 helped contain the non-oil primary deficit at 3.9 percent of GDP in 2022 and resulted in a stronger overall deficit relative to the revised budget law. Lower oil prices and a pump price adjustment in early 2023, as well as stronger-than-projected non-oil revenue performance, improved the fiscal balance by mid-2023.

Country engagement and alignment to reform priorities

Cameroon has an ongoing Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangement as well as a Resilience Sustainability Fund (RSF) program. In December 2023, the Board approved a 12-month extension and augmentation of ECF/EEF access until June 2025. Additionally, in January 2024, an 18-month RSF arrangement for Cameroon was approved, amounting to US\$183.4 million (50 percent of quota). Structural fiscal reform priorities include mobilizing non-oil revenue, addressing inefficiencies in Cameroon's public financial management practices, and improving governance.

The authorities have identified climate change as one of the primary challenges in achieving sustainable growth. The country's National Development Strategy (SND30) identifies adaptation and mitigation as key objectives to attain sustainable and inclusive growth. Cameroon's Vision 2035 also acknowledges the significance of climate change and its economic and social impacts. Moreover, Cameroon is a signatory to crucial international agreements related to climate change. Managing climate change is a relatively new priority for the country and RSF has helped create the required instructional structure and ownership at the highest levels necessary for implementation.

While there has been progress in revenue mobilization and PFM practices, more needs to be done to ensure adequate spending on social and investment needs. The authorities are taking actions to improve revenue administration but have not yet consistently implemented the diagnostic recommendations. Progress on PFM measures has been slow and several structural benchmarks and RSF reform measures target priorities like improving cash management and budget execution, limiting exceptional procedures, managing correspondent accounts, as well as integrating the climate agenda in PFM/PIMA.

IMF priority areas / cross-cutting themes

Climate Change:

The RSF aligns with the national priorities which identify climate change among key development challenges. The National Development Strategy (SND30) identifies adaptation and mitigation to climate change as key objectives to achieve sustainable and inclusive growth. As part of the implementation of the strategy, the authorities plan to: (i) strengthen actions relating to sustainable management of natural resources; and (ii) take adequate measures to adapt to and mitigate the effects of climate change. In addition, in order to address the consequences of climate change, including floods and landslides in some cities and rural areas, the Government is committed to: (i) ensure that climate change concerns are taken into account in sectoral strategies and policies, both in formulation and implementation; (ii) build the capacity of institutions responsible for climate surveillance; (iii) operationalize the system for monitoring, preventing, and responding to the effects of climate change; and (iv) develop and implement a national waste management strategy while promoting corporate social responsibility. The RSF aims to enhance the medium-term climate policy stance, incorporating reform measures on climate governance, public finance management, and mitigation and adaptation policies.

The Spending Policies (SM I) will advance reforms in the area of climate change mitigation and adaptation in line with the IMF's strategy to support macro-critical climate-related policy challenges.¹ First, the building of enabling institutional environment is an important pre-requisite for the development of a National Climate Plan (NCP), supporting the authorities to effectively prioritize climate change mitigation and adaptation actions. Second, the clarity regarding roles and responsibilities related to funding of climate-related disasters achieved via the disaster risk financing diagnostics will improve the financial resilience pillar in line with IMF's disaster resilience strategy.²

III. PROJECT MODULES - DESCRIPTION

This proposal will provide CD support to Cameroon in the areas of revenue administration and managing public finances. FAD CD will support improvements within the strategic objectives presented in Table 1:

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM II / Revenue Administration	- Strengthened revenue administration management and governance arrangements - Strengthened core tax administration functions
Spending	SM I / Spending Policies	"Strengthen Expenditure Policy Formulation and Design" there is the outcome "Medium-term expenditures consistent with climate mitigation goals and adaptation needs" and the indicator "SDG Index, SDG13 (climate action)".
Spending	SM II / Managing Public Finances	- Frameworks to Build Sustainable Fiscal Institutions and Frameworks - Strengthened Budget Management

A. RM II – Revenue Administration

Scope

This module will assist the tax administration to assess its current performance with the TADAT tool. The 2017 TADAT assessment of Cameroon's tax administration revealed its main strengths and

weaknesses: The series of corrective measures taken as part of the 2019-2022 Strategic Reform Plan and the acceleration of the digitization transformation plan have not been sufficient to significantly improve the performance of the tax administration. Domestic revenue mobilization is a cornerstone of the ECF/EFF economic program. The results of this upcoming repeat TADAT assessment will be used by the tax administration to update its strategic reform plan in accordance with the economic program objectives.

The revenue administration module will also aim to strengthen selected tax core functions. Among them, the tax administration has requested assistance in drawing up a sound operational approach to prevent tax arrears, and manage and enforce their collection, given the size of the stock of outstanding tax arrears debts. Advice and guidance on digitization initiatives has been requested too. For its first year, the project's will comprise a Staff Visit and an HQ diagnostic mission (repeat TADAT).

Program Objectives

The program objective is to support the tax administration in updating its strategic reform plan and boost revenue collection. This module will help assess the performance of the Cameroonian tax administration using the TADAT methodology and assist the authorities on updating their strategic reform plan using the main finding of the TADAT assessment. This CD activities program will also support the tax administration in their efforts to improve the efficiency of the annual tax audit program and to ensure that the taxpayers meet their payment obligations and tax arrears are recovered as required by law.

Expected Results (outcomes)

- **The authorities have a better understanding of the current state of the tax administration performance using the TADAT methodology.** This repeat TADAT assessment will help the authorities to record the progresses made since the first evaluation held in 2017. Also, the TADAT main findings of the will be used by the tax administration to update its strategic reform plan.
- **The development of a tax payment monitoring and outstanding debt collection action plan.** The CD will focus on assisting to build a comprehensive strategy that will help the tax administration to prevent from taxpayers missing their payment obligations as required by law and to ensure that the main recoverable tax arrears are collected upon the enforcement procedures in force.
- **The improvement of the tax audit program quality and efficiency based on risks analysis.** This activity will assist the authorities to expand external data and information sources, build a data warehouse and strengthen data matching to identify main risks, and use risks analysis results to build a tax audit control annual program that will ensure more efficiently accuracy of tax reporting.

B. SM I – Spending Policies

Scope

The scope of the CD program is to help the Cameroonian authorities to advance efforts in implementing the RSF-related Reform Measures on climate governance, mitigation, as well as adaptation. The project's activities will be a combination of diagnostic missions led from HQ, and follow-up virtual meetings to put in place their main recommendations.

Program Objectives

The program objective is to gain clarity on current institutional framework to support climate-related spending in Cameroon. This module will help assess institutional arrangement necessary for NCP under development in Cameroon. It will also help gain clarity regarding the current practice and

procedures regarding post-disaster funding allocation, disaster related public procurement, and private and humanitarian sector engagement in responding to climate related disasters in Cameroon.

Expected Results (outcomes)

- **The government will have an improved understanding regarding the international experiences of institutional arrangements to enable NCP.** This will allow the authorities to set up appropriate enabling institutions for the implementation and monitoring of NCP (RSF Reform Measure 2 development and adoption of NCP is due April 2025).
- **CD activities will quantify resources needs and availability regarding emergency response, recovery and reconstruction** and will provide the authorities with a technical template for the development of a national disaster risk financing strategy (RSF Reform Measure 7 development and adoption of the disaster risk financing strategy is due April 2025).

C. SM II – Managing Public Finances

Scope

This module will help the country improve budget execution and fiscal transparency. The multiplication of derogatory expenditure procedures has contributed to a certain lack of legibility in public action, weakens budgetary control and makes accountability more difficult. Under the Extended Credit Facility with the Fund, the authorities agreed to develop comprehensive and realistic public procurement plans, which should allow for the development of commitment plans, to strengthen the management of correspondent accounts and to improve the authorization process of expenses. These measures will help improve the transparency of the Government's spending.

The module will also aim to improve the public sector's response to climate change. Work is underway to better integrate climate change into investment projects' appraisal, and it should be extended to the project selection phase. The reformulation of project appraisal and selection manuals are two of the reform measures associated with the RSF funding. In addition, work has begun on labelling budget expenditure related to climate change. This climate change approach is not currently considered in work on fiscal risks.

The project's activities will be a combination of diagnostic missions led from HQ, and follow-up missions of experts to put in place their main recommendations. Their planning will take into consideration support provided by the World Bank and AFC.

Program Objectives

The program's objective is to strengthen budget management both for budget preparation and execution. along three lines of work: The CD activities will support the authorities in their efforts to (1) improve budget execution; (2) duly consider climate change in budgeting; and (3) analyze and disclose major fiscal risks.

Expected Results (outcomes)

The project outcome will be greater spending efficiency of the budget. It will have two main results:

- **The elaboration of a budget execution manual.** This manual will define more strictly the respective roles of line ministries, the budget department and the National Treasury office in the spending

procedure based on an improved budget execution planning and a restricted use of derogatory processes.

- **The definition of new tools to integrate Climate change into budget planning decisions.** The project will focus on integrating climate change into the fiscal risk analysis and support the current Government's efforts on climate change responsive budgeting. A C-PIMA will help complement the list of actions that could be taken with the project's support.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

The activities have been defined in line with the commitments made by the country in the framework of the ECF and the RSF. Cameroon has benefited from an intensive CD program, from both IMF Headquarters (HQ) and Africa Regional Technical Assistance Center – Centre (AFC) on macro-fiscal topics. The authorities consider that FAD CD has improved their capacity and helped implement several reforms in core PFM and tax systems. They will continue the CD activities realized previously either by IMF HQ or AFC.

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions** and staff visits to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure STX work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Short-term expert (STX)** visits to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of revenue administration and public financial management. The project will seek to use Portuguese-speaking experts.

C. Coordination / Cooperation

Coordination			
Partner	Type of coordination	Area of coordination	Frequency
AFC	CD Design and delivery, joint CD support	PFM	Continuous
IMF area department country team, IMF Resident Representative	CD design and delivery	Stakeholder engagement (IMF area department country team and Resident Representative)	Continuous
Cooperation			
Partner	Type of coordination	Area of coordination	Frequency
World Bank	Exchange information / agree on areas to be covered by each donor	PFM, Climate activities	Quarterly, annual

V. RISK ASSESSMENT AND MITIGATION

General or Module	Description	Risk Assessment	Mitigation Measures
Political Support			
RM II	Political support is critical to help the tax administration implement the main recommendations of the last Governance Diagnostic Assessment mission (May 2023)	Medium	Remind the authorities to implement the main recommendations with the support of the Country Team.
SM I	Shifting government policy priorities during CD implementation	Medium	Phased approach to policy dialogue with the authorities, in which time will be allocated for sensitization regarding climate action plan and DRFS.
SM II	Lack of political support for reforms. Inhibits, requires actions or reforms that are needed for PFM reform.	Medium	Ensure fiscal risk CD is focused on priority areas and engage regularly with ministers and senior management to ensure government ownership of reforms.
Management and Technical Staff Support and Commitment			
RM II	Commitment to tax administration reforms has remained solid since the last FAD tax administration mission organized in March 2021.	Low	N/A
SM II	Engage with senior management and technical staff pro-actively and explain the importance of improving fiscal transparency.	Low	Engage with senior management and technical staff pro-actively and explain the importance of improving fiscal transparency.
Resource Adequacy			
RM II	Resources are available and secured	Low	N/A
SM I	Risks arising from lack of access to data and information needed to carry out CD activities	Medium	Close coordination with development partners regarding relevant analytical activities; the use of globally sourced data may substitute locally information.
SM II	Insufficient technical capacity and human resources necessary to implement reforms are limited	Medium	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited.
Other risks			
SM II	Multiple donors are providing technical assistance on same topics and gaps, or overlaps may arise as a result.	Medium	Take an active role in engaging with other donors to ensure support is well coordinated.

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY25	FY26	FY27	FY28	FY29	Grand Total
RM II – Revenue Administration						
HQ led CD mission	1	1	1	-	-	3
STX visits	-	2	2	-	-	4
Staff visit	1	1	1	-	-	3
Total	2	4	4	-	-	10
SM I – Spending Policies						
HQ led CD mission	1	-	-	-	-	1
STX visits	-	1	-	-	-	1
Total	1	1	-	-	-	2
SM II – Managing Public Finance						
HQ led CD mission	1	1	-	-	-	2
STX visits	2	3	-	-	-	5
Total	3	4	-	-	-	7

Note:

- In-person delivery was chosen in most instances because of the importance of face-to-face interaction in providing tailored CD support.
- Remote delivery was chosen in several instances because of the short duration of the activity.
- Collectively the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM II – Revenue Administration		
Q2/FY25	Field based work	Staff Visit
Q4/FY25	Field based work	TADAT
SM I – Spending Policies		
Q2/FY25	Field based work	Disaster risk financing/NCP

Timing	CD Modality	Proposed Topics of CD
SM II – Managing Public Finance		
Q2/FY25	Duty station based work	Green PIM
Q2/FY25	Field based work	Budget execution reform plan
Q3/FY25	Field based work	Budget execution

VII. PROGRAM FINANCIALS

	FY25	FY26	FY27	FY28	FY29	Total
RM II – Revenue Administration	\$147,863	\$223,798	\$234,138	-	-	\$605,799
SM I – Spending Policies	\$192,881	\$52,366	-	-	-	\$245,247
SM II – Managing Public Finances	\$210,942	\$300,408	-	-	-	\$511,350
Subtotal	\$551,686	\$576,572	\$234,138	-	-	\$1,362,396
Trust fund management fee (7%)	\$38,618	\$40,360	\$16,390	-	-	\$95,368
Total	\$590,304	\$616,932	\$250,528	-	-	\$1,457,764

The estimated budget for this three-year project is \$1,457,764 but endorsement is requested for \$590,304 through FY25. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. RM II – Revenue Administration

Objective	
Strengthened core tax administration functions (SDG 17.1) - TAD	
Outcome(s)	Indicator(s)
Audit and other verification programs more effectively ensure accuracy of reporting	Automated cross-checking used to verify return information (TADAT 2015 POA6-16/TADAT 2019 POA6-20)
A larger proportion of taxpayers meet their payment obligations as required by law	Management of tax arrears improved (TADAT 2015 POA5-15/TADAT 2019 POA5-18)

Objective	
Outcome(s)	Indicator(s)
Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM	
Tax laws are updated, simplified, and better aligned with modern standards and international protocols	Administrative provisions are harmonized and consolidated, for example, under a tax procedures code
Corporate priorities are better managed through effective risk management	Better identification, assessment and mitigation of institutional risks (TADAT POA2-6)

B. SM I – Spending Policies

Objective	
Strengthen Expenditure Policy Formulation and Design	
Outcome(s)	Indicator(s)
Medium-term expenditures consistent with climate mitigation goals and adaptation needs.	SDG index SDG 13 (climate action)

C. SM II – Managing Public Finances

Objective	
Strengthened Budget Management - PBM	
Outcome(s)	Indicator(s)
Strengthened identification, monitoring, and management of fiscal risks	Enhanced analysis, disclosure and management of other contingent liabilities and specific fiscal risks
Strengthened budget execution and control processes	Improved effectiveness of budget execution and controls for non-salary expenditure including capital spending and priority areas (Record Score: PEFA PI-25. PIMA 12a)
Strengthened annual budget process, and effective allocation	Improved allocation to priority areas including climate, gender, and SDGs
Objective	
Frameworks to Build Sustainable Fiscal Institutions and Frameworks - FIF	
Outcome(s)	Indicator(s)
Strengthened capacity to plan, implement and sustain priority area reforms including climate, gender, and SDGs	Completed diagnostic of climate-related infrastructure governance framework (C-PIMA)