

I. COUNTRY REFORM PROGRESS

Cameroon's economy continues to recover gradually. Real GDP growth slowed from 3.7 percent in 2022 to 3.2 percent in 2023 due to domestic and external headwinds, including supply chain disruptions, rising production costs, electricity shortages, and floods. In September 2024, the twelve-month average CPI inflation decelerated to 4.9 percent from 7.8 percent the previous year due to lower food inflation and monetary policy tightening despite the fuel price increase in February 2024. Non-oil revenue increased by about 5 percent year-on-year in June 2024, driven by a solid performance in corporate and indirect taxes despite some stagnation in customs revenue due to a general decline in imports, including fuel.

Non-oil revenue mobilization has increased, however at a slower pace than initial program projections.

Non-oil revenues are projected to reach 13.2 percent of GDP in 2024 against the 14.3 percent of GDP projected at the time of the program request in 2021. Lack of progress on key tax policy reforms, including on the revisions to the 2013 law on investment incentives and on the rationalization of VAT exemptions, have contributed to the weaker performance. The modest improvement in the non-oil revenue mobilization is driven mainly by advances in tax administration, intensified efforts in tax and customs arrears recovery, an increase in stamp duties, and one-off factors. The authorities continue to strengthen the tax and customs administration, including through advancing digitalization, recovering tax arrears, improving compliance, and strengthening integrity at customs.

With GPFP project support, the Cameroon authorities have built technical capacity related to the development of disaster risk financing and national climate action plan through an HQ-based mission completed in September 2024 under Spending Module I. No action was implemented to strengthen revenue administration and public financial management this semester. A first mission will be held in December to recommend improvements to the budget execution processes and the Tax Administration Diagnostics Assessment Tool (TADAT) evaluation will take place in April 2025.

II. PROJECT DELIVERY HIGHLIGHTS

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: The authorities postponed the dates of the TADAT assessment to April 2025. Reforms in other areas will only be launched after the TADAT assessment.

Next Steps: TADAT assessment in end-March to April 2025.

SM I: Spending Module I – Spending Policy

Key Progress in FY25: An HQ-based mission took place on September 2-13, 2024. The authorities have built capacity for the planned policy reforms (Reform Measure 2 and 7 of the IMF's Resilience and Sustainability Facility (RSF) program) via disaster risk financing diagnostics and technical guidance on national climate plan (NCP). This capacity development (CD) activity addresses the cross-cutting issues of climate change, coordinating closely with the IMF's Fiscal Affairs Department (FAD) and Monetary and Capital Markets Department (MCM) internally and with development partners including the World Bank, World Food Program and UN Office for Disaster Risk Reduction.

Next Steps: The project will continue to provide virtual technical support needed for the authorities to successfully complete the development and adoption of disaster risk financing strategy and NCP, due April 2025.
SM II: Spending Module II – Managing Public Finances
Key Progress in FY25: This project has not initiated its activities.
Next Steps: The first action to take place will be a mission on budget execution.

III. LOGICAL FRAMEWORK

Country – Cameroon		
RM II: Objective - Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 1
Outcome	Rating	Narrative
Authorities have a baseline understanding of the current state of the government's revenue administration, management, and governance arrangements and core revenue administration operations	1 Not Achieved	The TADAT assessment date was postponed to April 2025
Corporate priorities are better managed through effective risk management	1 Not Achieved	Reforms in this area will only be launched after the TADAT assessment in April 2025
Tax and/or customs laws are updated, simplified, and better aligned with modern standards and international protocols	1 Not Achieved	Reforms in this area will only be launched after the TADAT assessment in April 2025
RM II: Objective - Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 1
Outcome	Rating	Narrative
A larger proportion of taxpayers meet their payment obligations as required by law	1 Not Achieved	Reforms in this area will only be launched after the TADAT assessment in April 2025
Audit and other verification programs more effectively ensure accuracy of reporting	1 Not Achieved	Reforms in this area will only be launched after the TADAT assessment in April 2025
SM I: Objective - Improved fiscal policies and institutional frameworks to combat climate change and its impacts (SDG 13) - CLM		Rating - 3
Outcome	Rating	Narrative
Enhanced use of fiscal policy for building resilience to climate and disaster risks.	3 Largely Achieved	FAD supported the underlying diagnostics needed to develop a Disaster Risk Financing Strategy (DRFS) and technical guidance on an NCP. The authorities are to translate the technical inputs into a draft DRFS and NCP and complete their adoption, by April 2025.
SM II: Objective – Frameworks to Build Sustainable Fiscal Institutions and Frameworks - FIF		Rating - 1

Outcome	Rating	Narrative
Strengthened capacity to plan, implement and sustain priority area reforms including climate, gender, and SDGs	1 Not Achieved	No action has been taken on this topic so far.
SM II: Objective – Strengthened Budget Management - PBM		Rating - 1
Outcome	Rating	Narrative
Strengthened identification, monitoring, and management of fiscal risks	1 Not Achieved	No action has been taken on this topic so far.
Strengthened annual budget process, and effective allocation	1 Not Achieved	No action has been taken on this topic so far.
Strengthened budget execution and control processes	1 Not Achieved	No action has been taken on this topic so far.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
SM I: Lack of support from development partners and/or private sector stakeholders in advancing climate policies or reforms	Medium	Coordinate with key development partners and donors present in the country.
Political Support		
RM II: Political 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: Lack of support for mission recommendations at the political level	High	Provide inputs to the authorities so they can socialize the reforms with the general public
SM I: Shifting government policy priorities in CD implementation.	Low	FY2025 CD activities have strengthened the authorities' understanding regarding the importance of reform measures on disaster risk financing and national climate plan. Hence this risk is considered low compared to the medium as identified at the time of proposal preparation. Virtual dialogues will continue to ensure that the authorities have technical support needed to successfully achieve Reform Measures 2 and 7 of the RSF program.
SM II: Lack of political support for reforms, Inhibits, requires actions or reforms that are needed for public financial management 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.

Description	Rating	Mitigation Measures
Resource Adequacy		
RM II: Resources are available and secured	Low	N/A
SM I: Lack of means to implement reforms	Medium	Ensure an adequate estimation of resources required for the reform and that the authorities can meet those requirements.
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.
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 I: Low capacity to implement recommendations in the Ministry of Finance	High	Build strong relationship with the key counterparts and the Ministry leadership
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.
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.

V. PROJECT MANAGERS CONTACT INFORMATION

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