

Extractive Industries Transparency  
Initiative - Cameroon

EITI Report 2016  
(Extract)



EITI Committee  
Republic of Cameroon

18 February 2019

To the Attention of the President of the EITI Committee

BDO Tunisie Consulting has been appointed by the EITI Committee as Independent Administrator for the preparation of Cameroon's 2016 Report. Work on the preparation of this report has been completed between December 10, 2018 and February 15, 2019 and were conducted in accordance with the Terms of Reference (ToR) as approved by the EITI Committee.

Our mission was carried out according to the International Standard on Related Services (ISRS Standard) related to the agreed-upon procedures missions and more specifically the standard 4400 relating to "financial information review missions on the basis of agreed procedures".

Agreed procedures do not constitute an audit or a limited review of extractive revenues in line with international auditing standards or international limited review standards. The audit of the data included in this report does not fall within the Terms of Reference of our mission. However, the reconciled information in this report relates to data audited and/or certified by the reporting parties.

If we had implemented additional procedures or if we had carried out an audit or a limited review of the reporting parties' financial statements in accordance with international auditing standards or international limited review standards, other elements could have been reported to our knowledge and would have been disclosed to you.

Our report is solely for the purpose indicated in the first paragraph. The opinions expressed therein are those of the Independent Administrator (IA) and do not reflect in any way the official opinion of EITI Cameroon.

BDO Tunisia Consulting



# 1 Introduction

## 1. Introduction

### 1.1. Context

The Extractive Industries Transparency Initiative (EITI) is a voluntary mechanism aimed at strengthening the good governance of public revenues derived from extractions in countries rich in oil, gas and mining resources.

The EITI requires the annual publication of EITI reports, including the disclosure of significant state revenues from the extractive industries, as well as the disclosure of all significant payments made to the government by oil, gas and mining companies<sup>1</sup>.

Cameroon has so far published ten EITI reports covering the period 2001-2015. BDO has been appointed by the EITI Committee as Independent Director (IA) for the elaboration of the 11th EITI report covering the year 2016.

### 1.2. Mandate of the Independent Administrator (IA)

The mandate of the IA covers mainly:

- development of a scoping study to inform the EITI Committee's decision on the scope of the EITI Report;
- implementation of procedures agreed with the EITI Committee;
- collection of contextual data and financial data of the reporting parties;
- compilation and reconciliation of data reported by extractive companies and the government;
- the investigation of the discrepancies identified during the reconciliation work ; and
- preparation of the EITI Report in accordance with the EITI Standard and Terms of Reference.

The data collection was initiated after the validation of the scoping report by the EITI Committee at its meeting of 18 December 2018. This meeting was also an opportunity to agree on the procedures for data assurance and to take note of the aspects requiring particular attention when conducting the work.

### 1.3. Participants in the 2016 EITI Report

Government entities receiving significant revenues from extractive companies and a selection of companies making these payments have been asked to participate in the process of reconciling financial data with production and export data and to provide contextual information on the extractive sector.

Government entities and companies involved in the reconciliation work are listed in Section 4.1.3 of this report.

In addition to the reporting parties, civil society representatives were consulted during the scoping phase to take into account their views on the important aspects to be addressed in the EITI Report.

The mission was carried out with the support of the Permanent Secretariat and under the supervision of the EITI Committee.

### 1.4. Limitations of the 2016 EITI Report

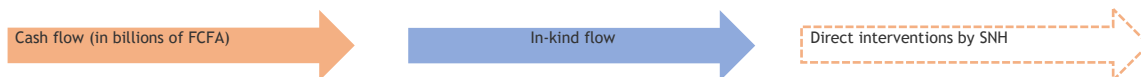
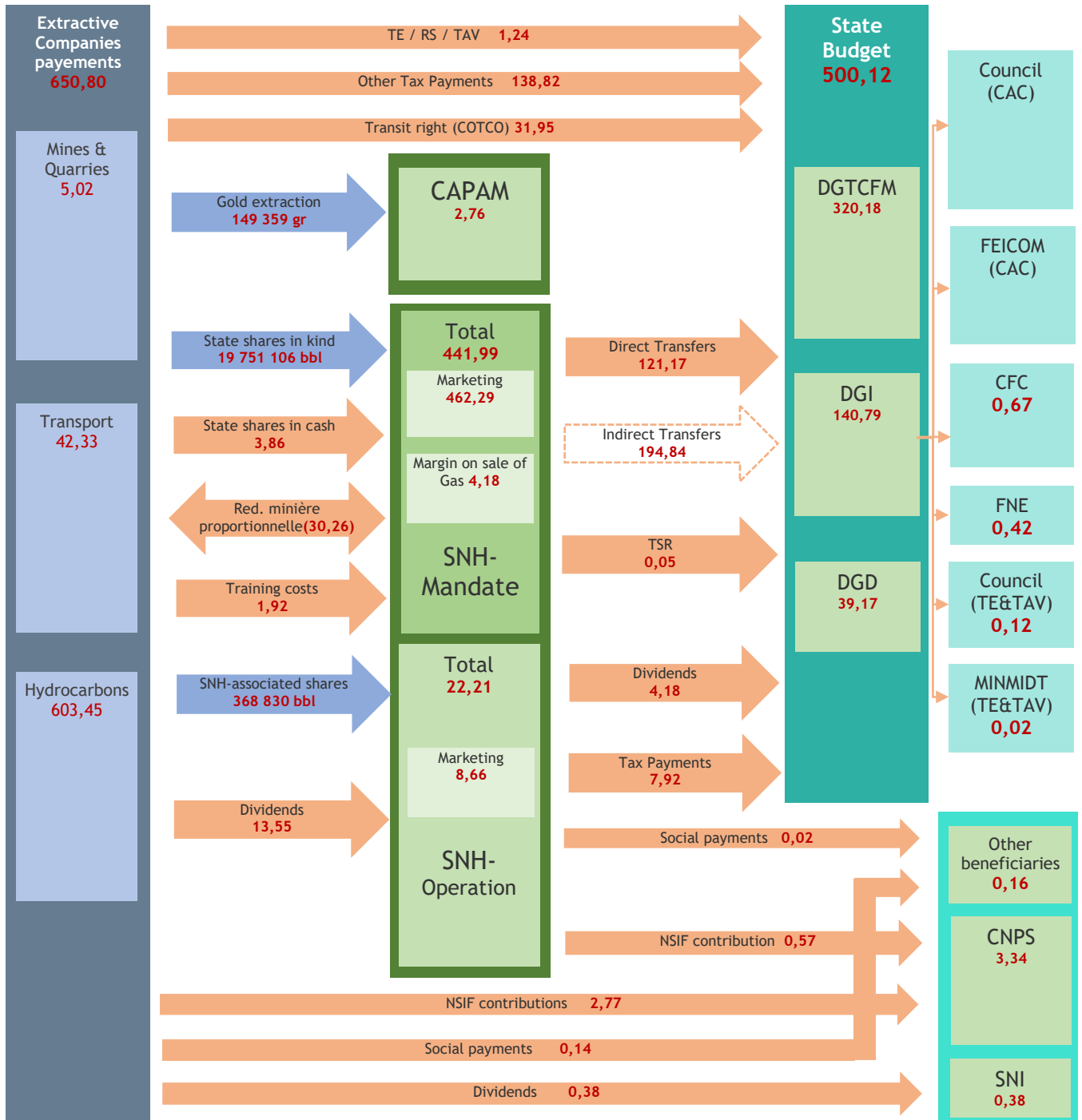
The findings in this report are based on financial data for 2016, as well as subsequent major reforms and events up to the date of this report. These conclusions cannot therefore be extrapolated beyond this period since the laws and the context governing the extractive sector may be subject to subsequent changes.



## 2 Executive Summary

## 2. Executive Summary

### 2.1 Income from the Extractive Sector





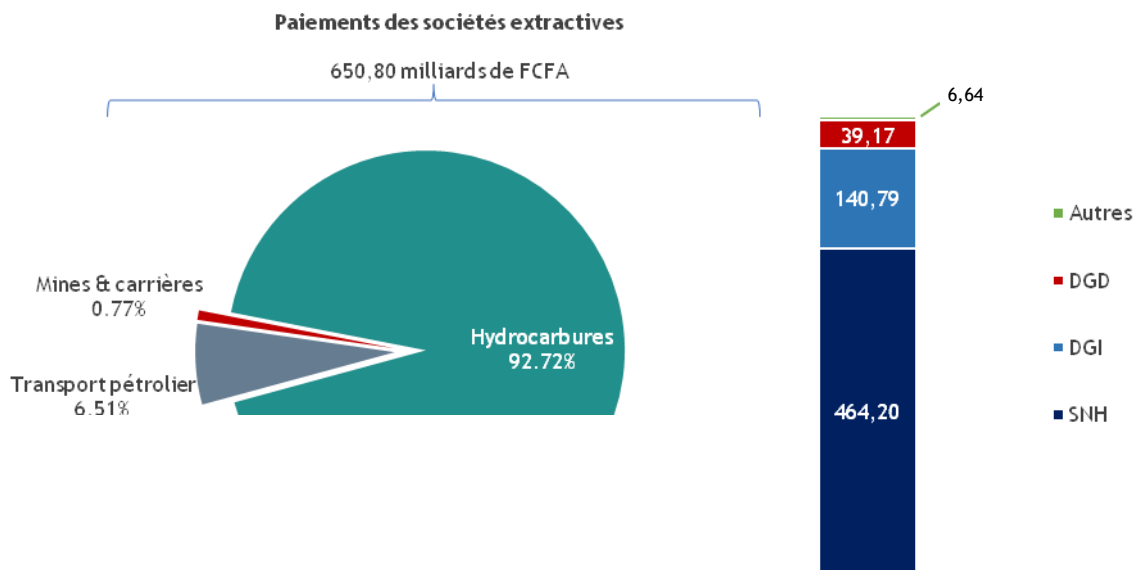
### 2.1.1 Payments from Extractive Companies

In 2016, cash payments made by extractive companies reached 176.99 billion FCFA. Payments in kind made during the same period were valued at 473.81 billion FCFA<sup>1</sup>, bringing total payments made by extractive companies during 2016 to 650.80 billion FCFA.

Petroleum companies account for the bulk of these payments with a share of 92.72%. The SNH and the DGI represent the main destinations of these payments with 71.33% and 21.63% respectively.

**Table 1 : State of Extractive Industry Payments by Collecting Body**

(In billions of FCFA)	Hydrocarbons		Oil Transport	Mines and Quarries		Total sector		Total	Share in %
	In kind	In cash	In cash	In kind	In cash	In kind	In cash		
SNH - Mandate	462,29	(24,48)	4,18	-	-	462,29	(20,30)	441,99	67,92%
SNH - Operation	8,66	12,47	1,08	-	-	8,66	13,55	22,21	3,41%
<b>Total SNH</b>	<b>470,95</b>	<b>(12,01)</b>	<b>5,26</b>	<b>-</b>	<b>-</b>	<b>470,95</b>	<b>(6,75)</b>	<b>464,20</b>	<b>71,33%</b>
DGI		136,17	3,16		1,46	-	140,79	140,79	21,63%
DGD		5,38	33,41		0,38	-	39,17	39,17	6,02%
CNPS		2,81	0,50		0,03	-	3,34	3,34	0,51%
CAPAM				2,76		2,76	-	2,76	0,42%
SNI		-	-		0,38	-	0,38	0,38	0,06%
Others (Social Payment)	0,10	0,05	-	-	0,01	0,10	0,06	0,16	0,02%
<b>Total</b>	<b>471,05</b>	<b>132,40</b>	<b>42,33</b>	<b>2,76</b>	<b>2,26</b>	<b>473,81</b>	<b>176,99</b>	<b>650,80</b>	<b>100%</b>
Share in %	92,72%		6,51%	0,77%		72,81%	27,19%		



Details of payments by company and by flow are presented in Section 6.2 of this report.

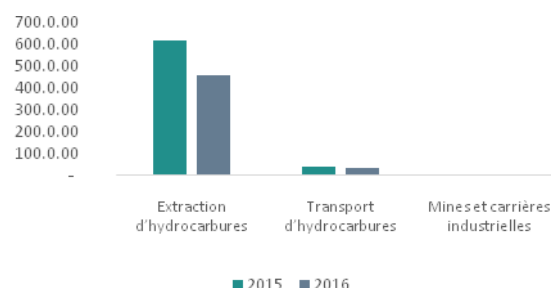
## 2.1.2 Contribution of the Extractive Sector to the State Budget

In 2016, the extractive sector generated for the State budget revenues of 500.12 billion CFA francs (USD 842.32 million)<sup>1</sup> accounting for 76.8% of total payments made by extractive companies in the same period.

Fiscal revenues from the sector declined from 2015 due in part to a downturn in the hydrocarbon extraction sector, which saw world crude oil prices decline. However, the hydrocarbon extraction sector remains the largest contributor with a total of CFAF 461.71 billion, representing 92.32% of the total budget revenue generated by the extractive sector in 2016.

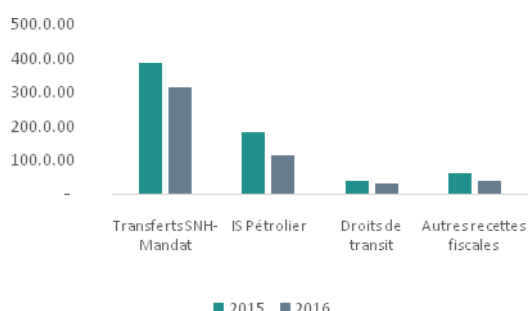
**Table 2: State of budget revenues by sector**

(In billions of FCFA)	2015	2016	% 2016	Évolution en %
Hydrocarbon extraction	620,22	461,71	92,32%	(25,56)%
Hydrocarbon transport	40,29	36,58	7,31%	(9,22)%
Industrial Mines and Quarries	1,75	1,83	0,37%	4,57%
<b>Total</b>	<b>662,26</b>	<b>500,12</b>	<b>100%</b>	<b>(24,48)%</b>



In terms of flows, SNH-Mandat transfers that come mainly from the marketing of government shares in oil fields are the largest contributors with 63.18% of total extractive sector fiscal revenues followed by the IS oil and transit rights (COTCO) accounting for 22.9% and 6.39% respectively of extractive revenues.

**Table 3 : State of budget revenue by flow**



(En milliards de FCFA)	2015	2016	% 2016	Évolution en %
SNH-Mandat Transfers	384,63	316,00	63,18%	(17,84)%
IS Oil	180,94	114,51	22,9%	(36,72)%
Transfer fees (COTCO)	36,20	31,95	6,39%	(11,73)%
Other tax revenue	60,49	37,66	7,53%	(37,76)%
<b>Total</b>	<b>662,26</b>	<b>500,12</b>	<b>100%</b>	<b>(24,48)%</b>

The complete analysis of extractive revenues is presented in Section 6.1 of this report.

## 2.2 Production and export

Crude oil accounts for most of the production and export of the extractive sector in Cameroon followed by gas and gold.

Details of production and exports by substance are as follows:

**Table 4: Summarized statement of production and exports of the extractive sector**

Substance	Unit (Volume)	Production		Export	
		Volume	Value (In billions of FCFA)	Volume	Value (In billions of FCFA)
Crude Oil	Barrels	33 505 135	802,83	30 833 379	731,98
Condensate	Barrels	168 859	4,98	123 241	3,48
Gas	mscf	13 194 229	36,04	-	-
<b>Total hydrocarbons sector</b>			<b>843,85</b>		<b>735,46</b>
Gold	Gram	542 148	10,03	2 350	0,04
Diamond	Carat	994	0,10	1 807	0,23
Aggregates	Cubic meter	302 472	3,60	-	-
Sand	Cubic meter	105 794	1,85	-	-



Substance	Unit (Volume)	Production		Export	
		Volume	Value (In billions of FCFA)	Volume	Value (In billions of FCFA)
Stone	Cubic meter	282 957			
Aggregates	Ton	272 405	2,29	-	-
Limestone	Ton	124 295	0,95	-	-
Pozzolan	Ton	236 426	0,71	-	-
Sand	Ton	35 922	0,14	-	-
Clay	Ton	8 500	0,03	-	-
<b>Total mining and quarrying sector</b>			<b>19,70</b>		<b>0,27</b>
<b>Total extractive sector</b>			<b>863,55</b>		<b>735,73</b>

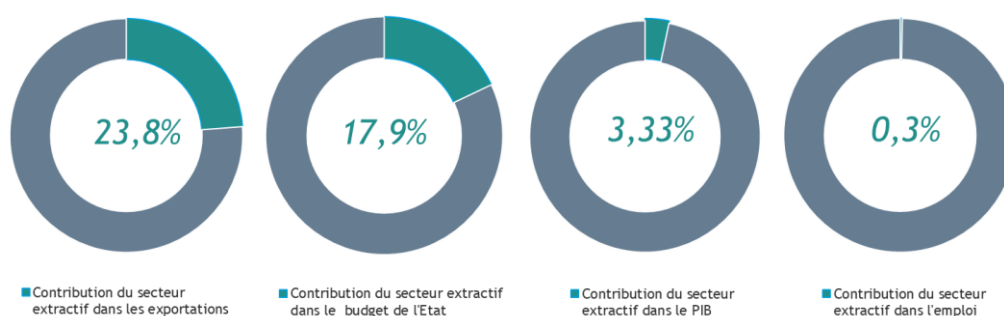
Details of exports and production are presented in sections 6.5 and 6.6 of this report.

## 2.3 Contribution to the economy

The contribution of the sector as a whole was down from 2015 due in part to the oil and gas sector, which experienced a decline in world crude oil prices.

Table 5 : Contribution of the extractive sector in the economy

	2016			2015
	Hydrocarbons	Mines and quarries	Total sector	
PIB	3,22%	0,11%	3,33%	5,43%
Income	17,90%	0,07%	17,96%	21,05%
Export	23,76%	0,03%	23,79%	33,23
Employment <sup>1</sup>	0,01%	0,29%	0,3%	0,3%



The detailed calculation of contributions is presented in Section 5.4.

## 2.4 Main Findings

### 2.4.1 Data Completeness

All extractive companies and collecting agencies selected in the perimeter submitted their declarations with the exception of the declaration on subnational transfers for revenue collected at the tax centers attached to the DGI. As a result and subject to the declarations made by CAPAM on behalf of the DGI, sub-national transfers in respect of these revenues have not been covered in this report.

<sup>1</sup>Calculated in relation to the labor force (10, 196,177 in 2016)

## 2.4.2 Results of Reconciliation work

The reconciliation of payments was made on the basis of the scope set by the EITI Committee as detailed in Section 4.1 of this report. The reconciliation exercise covered 99.8% of the total extractive revenue reported by the State.

The differences that could not be reconciled amounted to CFAF 839.08 million, equivalent to 0.17% of the revenues reported by the State. These discrepancies are below the acceptable error threshold of 2% set by the EITI Committee and, therefore, are not likely to affect the reliability of the data reported in this report. The following table provides a summary of the reconciliation work.

Cash flow of payments

**Table 6 : Summary statement of cash flow reconciliation discrepancies**

In billions of FCFA	Hydrocarbon extraction (i)	Hydrocarbon Transport (ii)	Mines & quarries (iii)	Total extractive sector
Extractive companies	449,70	37,89	1,24	488,82
State	448,58	38,16	1,24	487,98
<b>Gap</b>	<b>1,12</b>	<b>(0,27)</b>	<b>-</b>	<b>0,84</b>
% Gap	0,25%	(0,71%)	-	0,17%

### Cash Flow of payments

#### (i) Hydrocarbon extraction

Aggregate payments (In billions of FCFA)	Initial declaration	Conciliation adjustments	Adjusted declarations
<b>SNH Mandat - Etat</b>			
SNH-Mandat	320,18	-	320,18
State	320,18	-	320,18
Gaps	-	-	-
<b>Oil companies - State</b>			
Oil companies (including SNH operation)	144,82	0,63	145,45
State	143,04	1,30	144,34
Gaps	1,78	(0,67)	1,11
<b>Oil companies - State - SNH</b>			
Oil companies	(28,51)	0,10	(28,41)
SNH-Mandat	(28,40)	-	(28,40)
Gaps	(0,11)	0,10	(0,01)
<b>Oil companies - SNH-Operation</b>			
Oil companies	12,47	-	12,47
SNH-Operation	12,47	-	12,47
Gap	-	-	-

#### (ii) Oil Transport

Aggregate payments (In billions of FCFA)	Initial declaration	Conciliation adjustments	Adjusted declarations
<b>COTCO - State</b>			
COTCO	36,77	0,04	36,81
État	37,07	-	37,07
Écarts	(0,30)	0,04	(0,26)
<b>COTCO - SNH-Operation</b>			
COTCO	1,08	-	1,08
SNH-Operation	1,08	-	1,08
Gaps	-	-	-

## Payments in kind

### (i) Liquis Hydrocarbons

Aggregate payments (In barrels)	Initial declaration	Conciliation adjustments	Adjusted declarations
<b>Extractive companies - SNH-State</b>			
Extractive companies	13 096 656	-	13 096 656
SNH-Mandat	12 881 274	-	12 881 274
Gaps	215 382	-	215 382
<b>Extractive companies - SNH-Operation</b>			
Extractive companies	30 607	-	30 607
SNH-Operation	-	-	-
Gap	30 607	-	30 607

### (ii) Gaseous hydrocarbons

Aggregated payments (In mscf)	Initial declaration	Conciliation adjustments	Adjusted declarations
<b>Extractive companies - SNH-State</b>			
Extractive companies	2 319 078	-	2 319 078
SNH-Mandat	2 671 296	-	2 671 296
Gaps	(352 218)	-	(352 218)
<b>Extractive companies - SNH-Operation</b>			
Extractive companies	336 447	-	336 447
SNH-Operation	-	-	-
Gap	336 447	-	336 447

The details of the reconciliation work are presented in Section 4.2.3 of this report.

### 2.4.3 Data Assurance

The assurance procedures agreed by the EITI Committee, the general framework of audit practices in Cameroon and the assessment of the reliability of the data are detailed in Section 4.2.4 of this report.

On the basis of this assessment, we can reasonably comment on the completeness and reliability of the EITI data presented in this report.

## 2.5 Recommendations

Findings	Recommendations	Sector concerned	Structure concerned
1 Follow the implementation of the provisions of the law n ° 2018/011 of July 11, 2018	Formulate proposals on how to implement the provisions relating to the publication of contracts.	Extractive sector	EITI committee
2 Reform the legal framework of the hydrocarbon sector	Formulate proposals to make the Petroleum Code and the Gazier Code in harmony with EITI standards and the provisions of law No. 2018/011 on the modalities of implementing the provisions relating to the publication of contracts.	Hydrocarbon sector	EITI committee
3 Computerize the state cashing chain	Generalize the application of the computerized system to all the DGI tax centers and integrate the DGI and Treasury systems.	Extractive sector	DGI/DGTFCM
4 Mandatory data provisions on communities benefiting from subnational transfers	Put in place a mechanism obliging companies to inform beneficiary councils and allowing the control and attestation of data.	Mining sector	DGI/DM
5 Reliability of DGD data on exports	Integration of export data on the ASYCUDA system and establishment of a mechanism for reconciliation between the data of the DGD, the SNH, the INS and the DM	Extractive sector	DGD/INS/DM /SNH

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