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EITI FOLLOW-UP COMMITTEE



# Extractive Industries Transparency Initiative in Cameroon

## EITI REPORT 2018 (EXECUTIVE SUMMARY)

June 2021





*This document has been translated from the French original for reference purposes only. In the event of any discrepancy between this translated document and the French original, the original shall prevail.*

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# 1 Executive Summary

## 1.1 Introduction

### 1.1.1 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.

Cameroon has so far published thirteen (13) EITI Reports covering the period from 2001 to 2017. BDO has been appointed by the EITI Committee as Independent Administrator (IA) for the preparation of the 14<sup>th</sup> EITI Report covering the year 2018.

### 1.1.2 Mandate of the Independent Administrator (IA)

The mandate of the IA mainly covers:

- collecting contextual and financial data from reporting entities;
- compilation and reconciliation of data reported by extractive companies and by the government;
- investigation of the discrepancies identified during the reconciliation work; and
- preparation of the EITI Report in accordance with the EITI Standard and the Terms of Reference.

### 1.1.3 Participants in the 2018 EITI Report

Government entities receiving significant revenues from extractive companies and a selection of companies making these payments were 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 4.9.2 of the full version of this report.

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

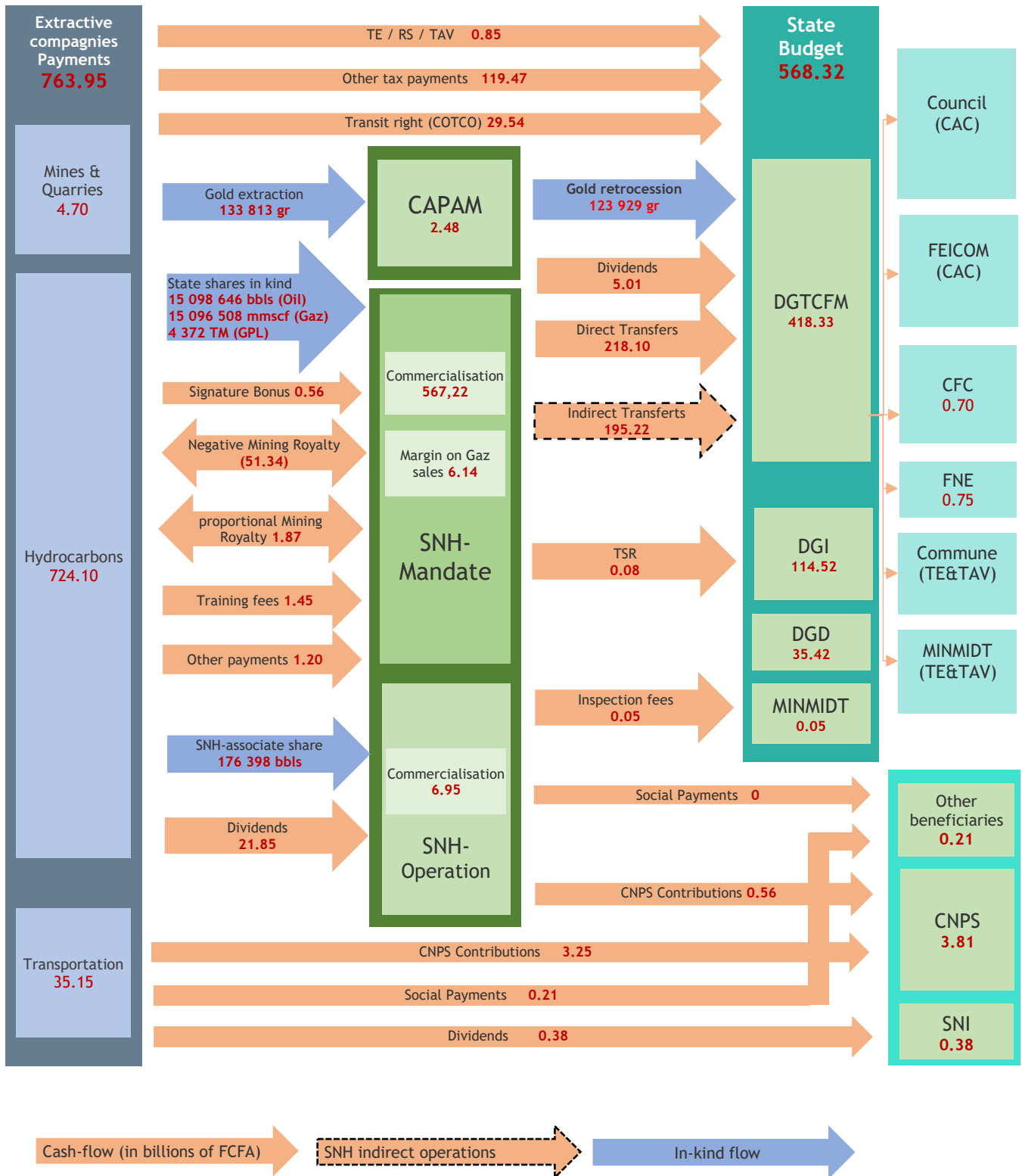
### 1.1.4 Limitations of the 2018 EITI Report

The findings in this report are based on financial data for 2018, 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.

## 1.2 Key figures of the EITI Report 2018

### 1.2.1 Revenues from the extractive sector

Graphic 1 - Revenues from the extractive sector



## 1.2.2 Payments from extractive companies

In 2018, cash payments made by extractive companies reached CFAF 134.99 billion. Payments in kind made during the same period were valued at FCFA 628.96 billion<sup>1</sup>, bringing the total payments made by Extractive companies during 2018 to a value of FCFA 763.95 billion.

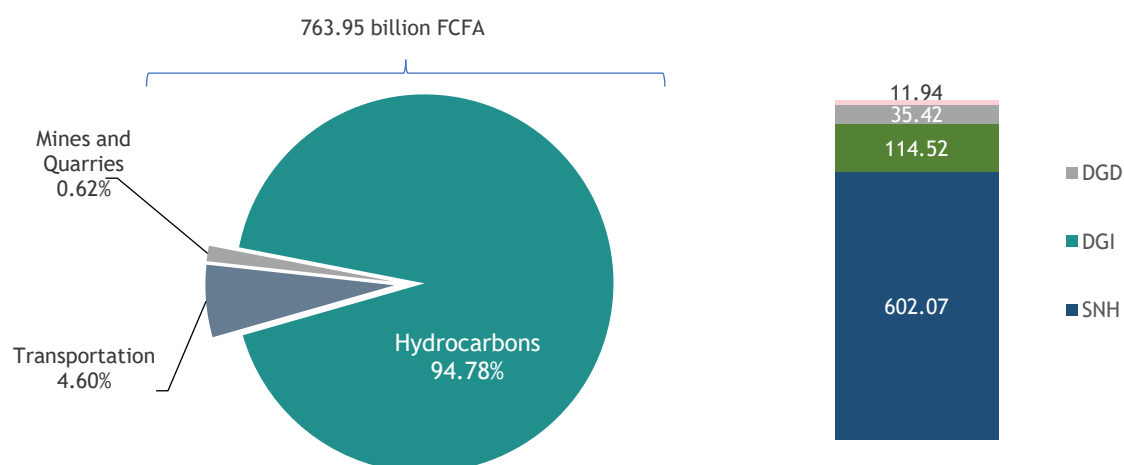
Petroleum companies account for the bulk of these payments with 93.43%. SNH, DGI and DGD represent the main destinations for these payments.

Table 1 - Statement of Extractive Industry Payments by Government Agency

(In billions of FCFA)	Hydrocarbons		Transportation	Mines and Quarries		Total sector		Total	Share in %
	In kind	In cash	In cash	In kind	In cash	In kind	In cash		
SNH - Mandate (*)	619.32	(46.26)	-	-	-	619.32	(46.26)	573.06	75.01%
SNH - Operation	7.16	20.64	1.21	-	-	7.16	21.85	29.01	3.80%
<b>Total SNH</b>	<b>626.48</b>	<b>(25.62)</b>	<b>1.21</b>	<b>-</b>	<b>-</b>	<b>626.48</b>	<b>(24.41)</b>	<b>602.07</b>	<b>78.81%</b>
DGI	-	110.72	3.07	-	0.73	-	114.52	114.52	14.99%
DGD	-	4.64	30.27	-	0.51	-	35.42	35.42	4.64%
CNPS	-	2.67	0.55	-	0.59	-	3.81	3.81	0.50%
CAPAM	-	-	-	2.48	-	2.48	-	2.48	0.32%
MINMIDT	-	0.01	0.04	-	-	-	0.05	0.05	0.01%
SNI	-	-	-	-	0.38	-	0.38	0.38	0.05%
DGTCFM	-	5.01	-	-	-	-	5.01	5.01	0.66%
Other (Social payments)	-	0.19	0.01	-	0.01	-	0.21	0.21	0.03%
<b>Total</b>	<b>626.48</b>	<b>97.62</b>	<b>35.15</b>	<b>2.48</b>	<b>2.22</b>	<b>628.96</b>	<b>134.99</b>	<b>763.95</b>	<b>100%</b>
<b>Share in %</b>	<b>94.78%</b>		<b>4.60%</b>		<b>0.62%</b>	<b>82.33%</b>	<b>17.67%</b>		

(\*) excluding direct and indirect transfers from SNH mandate.

Graphic 2 - Payments from extractive companies



<sup>1</sup> Valuation of in-kind oil payments at the market price and in-kind payments of gold at FCFA 18.500/gram



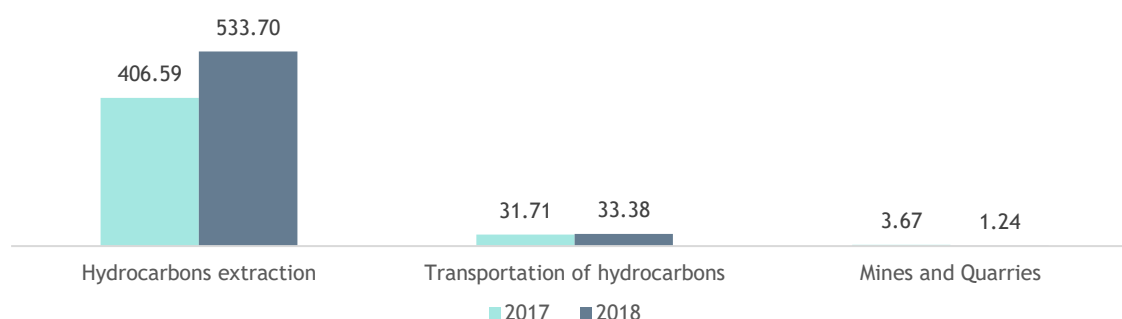
### 1.2.3 Contribution of the Extractive Sector on the State Budget

In 2018, the extractive sector generated FCFA 568.32 billion for the State budget revenues (USD 1 018.74 million<sup>2</sup>) against FCFA 441.97 billion in 2017, 28.59% higher than for the comparable period last year. This is mainly explained by the increase of the direct and indirect transfers of the SNH-mandate to the State Budget, which have achieved the FCFA 413.32 billion in 2018 against FCFA 319.44 billion in 2017, an increase of 29.39% over the same period last year.

The sector of Hydrocarbons extraction nevertheless remains the main contributor with a total of FCFA 533.70 billion representing 93.91% of the total budgetary revenue generated by the extractive sector in 2018.

Table 2 - Statement of State budget revenues by sector

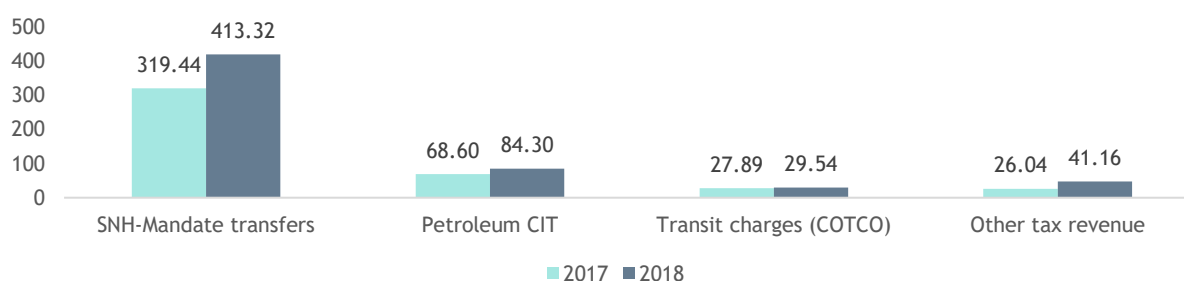
(In billions of FCFA)	2017		2018		Evolution	
	amount	contribution in %	amount	Contribution in %	Amount	In %
Hydrocarbon's extraction	406.59	92.00%	533.70	93.91%	127.11	31.26%
Transportation of hydrocarbons	31.71	7.17%	33.38	5.87%	1.67	5.27%
Mines and Quarries	3.67	0.83%	1.24	0.22%	-2.43	-66.21%
<b>Total</b>	<b>441.97</b>	<b>100%</b>	<b>568.32</b>	<b>100%</b>	<b>126.35</b>	<b>28.59%</b>



In terms of flows, transfers from SNH-Mandate, which mainly come from the Sale government shares in the oil fields, are the main contributors with 72.73% of total budgetary revenues from the extractive sector, followed by oil and transit rights (COTCO) which represent respectively 14.83% and 5.20% of extractive revenues.

Table 3 - Statement of State budget revenue by flow

(In billions of FCFA)	2017		2018		Evolution	
	Amount	contribution in %	amount	Contribution in %	Amount	in%
SNH-Mandate transfers	319.44	72.28%	413.32	72.73%	93.88	29.39%
Petroleum CIT	68.60	15.52%	84.30	14.83%	15.7	22.89%
Transit charges (COTCO)	27.89	6.32%	29.54	5.20%	1.65	5.92%
Other tax revenue	26.04	5.89%	41.16	7.24%	15.12	58.06%
<b>Total</b>	<b>441.97</b>	<b>100%</b>	<b>568.32</b>	<b>100%</b>	<b>126.35</b>	<b>28.59%</b>



<sup>2</sup> Average Annual Price 2018, BEAC.

### 1.2.4 Production and export

Crude oil accounts for most of the production and export of the extractive sector in Cameroon, followed by gas and gold. The details of production and exports are set out as follows:

*Table 4 - Summary of production and exports of the extractive sector*

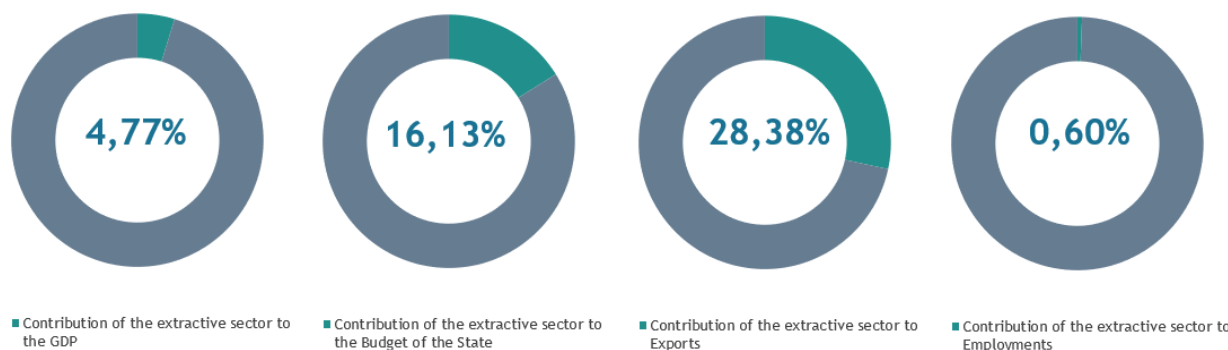
Commodity	Unit	Production		Export	
		Volume	Value (In billion FCFA)	Volume	Value (In billion FCFA)
Crude oil	Barrels	24 261 477	937.752	21 845 145	875.63
Condensate	Barrels	871 148	36.062	-	-
Gas	MSCF	51 678 799	132.213	35 636 361	102.25
Gas - GPL	TM	15 900	4.346	-	-
<b>Total Hydrocarbons sector</b>			<b>1 110.373</b>	<b>-</b>	<b>977.88</b>
Gold	Gram	478 048	8.844	35 200	0.65
Diamond	Carat	1 805	0.199	1 262	0.30
Aggregates	Cubic meter	269 499	2.872	-	-
Sand	Cubic meter	80 014	-	-	-
Aggregates	Tonne	33 942	0.404	-	-
Limestone	Tonne	146 339	0.023	-	-
Pozzolan	Tonne	108 886	0.024	-	-
Sand	Tonne	23 060	0.088	-	-
Clay	Tonne	6 339	0.001	-	-
<b>Total Mining and Quarrying Sector</b>			<b>12.455</b>	<b>-</b>	<b>0.95</b>
<b>Total extractive sector</b>			<b>1 122.827</b>		<b>978.83</b>

### 1.2.5 Contribution to the economy

The table below shows that in 2018, the contributions of the extractive sector to nominal GDP, exports and employment increased slightly compared to that of 2017. The contribution of the extractive sector to the budget of the State, for its part, increased in 2018 to stand at 16.13% compared to 14.86% in 2017.

*Table 5 - Contribution of the extractive sector to the economy*

	2017	2018	Evolution 2017-2018
GDP	3.64%	4.77%	1.13%
Income	14.86%	16.13%	1.27%
Export	24.99%	28.38%	3.39%
Employment	0.68%	0.60%	-0.08%



## 1.3 Main findings

### 1.3.1 Data comprehensiveness

All extractive companies selected in the scope submitted their reporting templates.

With the exception of the declaration on sub-national transfers for revenue collected at the level of the tax units attached to DGI, all government agencies selected in the scope have submitted their reporting templates.

### 1.3.2 Results of the reconciliation work

The reconciliation of payments was carried out on the basis of the scope set by the EITI Committee as detailed in section 4.9 of the full version of this Report. The reconciliation exercise covered 99.70% of the total extractive revenues reported by the Government.

The unreconciled differences amounted to FCFA 342.712 million, the equivalent of 0.06% of the revenues reported by the Government. These deviations are below the acceptable error threshold set at 2% by the EITI Committee. Consequently, they are not likely to affect the reliability of the data reported in this Report. The following table provides a summary of the reconciliation work.

*Table 6 - Summary of cash-flow reconciliation*

In billions of FCFA	Hydrocarbon's extraction (i)	Transportation of hydrocarbons (ii)	Mines & Quarries (iii)	Total extractive sector
Extractive companies	509.454	35.060	1.819	546.334
Government	509.676	35.145	1.855	546.676
<b>Difference</b>	<b>(0.222)</b>	<b>(0.085)</b>	<b>(0.035)</b>	<b>(0.343)</b>
% Difference	0.04%	0.24%	1.91%	0.06%

#### (i) Hydrocarbon's extraction

Aggregate payments (In billions of FCFA)	Initial declaration	Conciliation adjustments	Adjusted declaration
<b>SNH-Mandate - State</b>			
SNH-Mandate	418.335		418.335
Government	418.335		418.335
<b>Difference</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Oil companies - State</b>			
Oil companies (including SNH Operation)	114.325	3.478	117.803
Government	116.657	1.368	118.025
<b>Difference</b>	<b>(2.332)</b>	<b>2.110</b>	<b>(0.222)</b>
<b>Oil companies - SNH-State</b>			
Oil companies	(27.324)	0.586	(26.738)
SNH-Mandate	(14.706)	(12.032)	(26.738)
<b>Difference</b>	<b>(12.618)</b>	<b>12.618</b>	<b>-</b>
<b>Oil companies - SNH-Operation</b>			
Oil companies	0.054		0.054
SNH-operation	0.054		0.054
<b>Difference</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### (ii) Transportation of hydrocarbons

Aggregated payments (In billions of FCFA)	Initial declaration	Conciliation adjustments	Adjusted declaration
<b>COTCO - State</b>			
COTCO	33.898	(0.051)	33.847
Government	33.964	(0.032)	33.932
<b>Difference</b>	<b>(0.065)</b>	<b>(0.020)</b>	<b>(0.085)</b>

Aggregated payments (In billions of FCFA)	Initial declaration	Conciliation adjustments	Adjusted declaration
<b>COTCO - SNH-Operation</b>			
COTCO	1.214		1.214
SNH-operation	1.214		1.214
Difference	-	-	-

*(iii) Mining and Quarrying:*

Aggregated payments (In billions of FCFA)	Initial declaration	Conciliation adjustments	Adjusted declaration
<b>Companies - State</b>			
Companies	1.806	0.013	1.819
Government	23.969	(22.115)	1.855
Difference	(22.163)	22.128	(0.035)

*Table 7 - Summary of in-kind payment reconciliation**(i) Liquid Hydrocarbons*

Aggregated payments (In barrels)	Initial declaration	Conciliation adjustments	Adjusted declaration
<b>Extractive companies - SNH-State</b>			
Extractive companies	15 360 933	(262 287)	15 098 646
SNH-Mandate	15 098 646		15 098 646
Difference	262 287	(262 287)	-
<b>Extractive companies - SNH-Operation</b>			
Extractive companies	176 398		176 398
SNH-operation	176 398		176 398
Difference	-	-	-

*(ii) Gas Hydrocarbons*

Aggregated payments (In MSCF)	Initial declaration	Conciliation adjustments	Adjusted declaration
<b>Extractive companies - SNH-State</b>			
Extractive companies	15 096 508	-	15 096 508
SNH-Mandate	15 096 508	-	15 096 508
Difference	-	-	-

**1.3.3 Reliability of data**

The assurance procedures agreed by the EITI Committee, the general framework of audit practices in Cameroon as well as the assessment of the reliability of the data are detailed in Section 4.9.9 of the full version of this report.

On the basis of the work carried out and except for the impact of the application of the provisions of the agreement signed with CAM IRON as described in recommendation 6, the EITI data presented under this report presents fairly, in all material respects, the revenues received by Cameroon from oil, gas and mining companies during the fiscal ended December 31, 2018.

## 1.4 Recommendations

N°	Requirement	Recommendations	Priority level	Structure concerned
1	Requirement 2.1 legal framework and fiscal regime	Speed up the publication of the implementing decree for Law No. 2016-17 of December 14, 2016, on the Mining Code.	1	MINMIDT
2	Requirement 2.4 Contracts	Discuss and propose the vision of the EITI Committee for the modalities of application of the provisions of the Code of transparency and good governance in terms of publication of contracts and accelerate the publication of the code of application of the code.	1	EITI Committee / MINMIDT
3	Requirement 2.6 State participation	Publish the full version of SNH's financial statements including notes and appendices.	2	SNH
4	Requirement 4.1 comprehensive disclosure of taxes and revenues	Consider the integration of environmental expenses for the rehabilitation of mining and oil sites within the scope of future EITI reports.	1	EITI Committee.
5	Requirement 4.9 data quality of the disclosures	Systematically communicate the adjustments identified by the Independent Administrator to the Accounting Chamber.	2	DGI/DGD
6	Requirement 6.1 Social expenditures by extractive companies.	Identify social spending obligations provided for in mining and oil contracts and obtain an overview of the application of these obligations.	1	EITI Committee /MINMIDT

The details of the recommendations of the 2018 EITI report as well as the follow-up to the recommendations of the previous reports are presented in section 6 of the full version of this report.