

REPUBLIQUE DU CAMEROUN

Paix – Travail – Patrie

MINISTRE DES FINANCES

COMITE ITIE



REPUBLIC OF CAMEROON

Peace – Work – Fatherland

MINISTRY OF FINANCE

EITI FOLLOW-UP COMMITTEE

N° ____/MINFI/ITIE/CAB

Yaoundé,

F.A.O. EITI INTERNATIONAL SECRETARIAT

Tel.: +47 222 00 800

Email: secretariat@eiti.org

Radhusgata 26, 0151

Oslo, Norway

Ref.: Second Validation of Cameroon: Draft assessment by the EITI International Secretariat

Re: Observations of the EITI Follow-up Committee

I am pleased to confirm that Cameroon's EITI Follow-up Committee has, in accordance with the EITI validation process, read the report entitled "Second Validation of Cameroon: Draft assessment by the EITI International Secretariat" and examined its content with interest.

In response, Cameroon's EITI Follow-up Committee:

- Notes the observations made at this stage of the validation process;
- Takes up the option to respond to the observations in the above-mentioned report;
- Draws the attention of the EITI International Secretariat to certain actions and information that were not considered in said report and that could be of value in determining Cameroon's final score;
- Provides additional supporting information, including the following supplementary documents:
 - A table summarising the **additional information** and **key deliverables available on the Committee's website**, which aims to give the EITI International Secretariat a clearer picture of the efforts made by Cameroon in EITI implementation;
 - The **three-year work plan 2021–2023**, which also covers the final months of 2020, *together with the budget for the reporting period*; this will be supplemented with several roadmaps, which will form an integral part of the work plan, in the coming months, including the revised roadmap for disclosure of beneficial owners (incorporating the findings of the report on beneficial ownership), the roadmap for disclosure of contracts and licences, and the roadmap for project-level reporting;

Referring specifically to the budget for the reporting period, and recognising the budget restrictions affecting its funding by the Treasury, the Committee has decided to seek additional sources of funding, including for activities relating to disclosure of beneficial owners and mainstreaming, among others;

- The **report of the study on beneficial ownership**;
- The **annual progress reports for 2018 and 2019** as adopted at the meeting held on 16 November 2020; the Committee examined these reports on several occasions and finally reached agreement on the versions appended hereto, which will be signed and published on its website next week;
- The **minutes of Committee meetings** since 18 December 2018, i.e. fifteen (15) sets of minutes in total; the signed versions will be published on the Committee's website next week; the Committee has now agreed on a process for regular examination, adoption and publication of the minutes of its meetings;
- The **ministerial directive** of 3 November 2020 on monetising and recognising the stock of gold from the Artisan Mining Support and Promotion Framework (CAPAM), held at the Ministry of Finance;
- A technical memorandum on **subnational transfers**;
- A technical memorandum on **quasi-fiscal expenditures**.

Overall, the information provided – excluding the two technical memoranda, which are intended to lend weight to our arguments – relates to eleven (11) requirements, including five (5) corrective actions where progress was assessed as inadequate and six (6) corrective actions where progress was assessed as meaningful.

On behalf of the Chair of Cameroon's EITI Follow-up Committee
The Vice-Chair
 Mr Gabriel Dodo Ndoké,
Ministry of Mines, Industry and Technological Development

REPUBLIQUE DU CAMEROUN
Paix – Travail – Patrie

MINISTRE DES FINANCES

COMITE ITIE



REPUBLIC OF CAMEROON
Peace – Work – Fatherland

MINISTRY OF FINANCE

EITI FOLLOW-UP COMMITTEE

N° ____/MINFI/ITIE/CAB

Yaoundé,

SUMMARY OF ADDITIONAL OBSERVATIONS/INFORMATION AND DELIVERABLES FOR THE VALIDATOR

No.	Requirement	Draft assessment (second Validation)	ADDITIONAL OBSERVATIONS/INFORMATION	DELIVERABLES	Expectation of the Multi-Stakeholder Group
1.	(Requirement 1.4) MSG oversight	INADEQUATE	- The MSG recalls the existence of the 2018 decree updating the composition of Cameroon's EITI Follow-up Committee, which includes all constituencies and is available on the Committee's website	- Decree No. 2018/6026/PM of 17 July 2018 published on the Committee's website	SATISFACTORY
			- The MSG recalls the existence of Order No. 025/CAB/PM of 5 February 2019 fixing the sessional indemnities of the interministerial and ministerial committees and working groups	- Order No. 025/CAB/PM of 5 February 2019 fixing the sessional indemnities of the interministerial and ministerial <i>committees</i> and working groups, published on the Committee's website	
			- The MSG recalls that each constituency (government, civil society and extractive companies) has published its membership renewal procedure, which is available on the Committee's website; government members are appointed on the basis of individual and professional competency at the government's discretion	- Civil society protocol available on the website of the EITI Follow-up Committee - Extractive companies' memorandum of understanding fixing the appointment and renewal rules and procedures for the hydrocarbons sector, published on the Committee's website	
			- The MSG recalls that the minutes adopted during the reporting period are signed by the Chair of the MSG	Minutes of meetings available on the Committee's website	

No.	Requirement	Draft assessment (second Validation)	ADDITIONAL OBSERVATIONS/INFORMATION	DELIVERABLES	Expectation of the Multi-Stakeholder Group
	(Requirement 1.4) MSG oversight (continued)	INADEQUATE	<ul style="list-style-type: none"> - The MSG recalls that the agendas and attendance lists are published - The MSG recalls that the 2018 decree designates the Chamber of Commerce, Industry, Mines and Handicraft (CCIMA) and the Cameroon Employers' Association (GICAM) as statutory members of Cameroon's EITI Follow-up Committee. The CCIMA represents small businesses and small and medium-sized enterprises (SMEs), while the GICAM represents employers and large companies. - The MSG recalls that the Committee has set up ad hoc working groups and that reports of their work in the areas listed below are published on the Committee's website: <ul style="list-style-type: none"> 1. <i>beneficial ownership</i> 2. <i>disclosure of licences and contracts</i> 3. <i>quasi-fiscal expenditures</i> 4. <i>subnational transfers</i> 5. <i>EITI mainstreaming</i> 6. <i>drafting of contextual information on Cameroon for the EITI Report</i> 7. <i>the Committee's code of conduct</i> 	<ul style="list-style-type: none"> - Agendas and attendance lists available on the Committee's website Decree No. 2018/6026/PM of 17 July 2018 confirming the membership of the two bodies published on the Committee's website Seven (7) ad hoc working group reports are published on the Committee's website, relating to: <ul style="list-style-type: none"> 1. <i>beneficial ownership</i> 2. <i>disclosure of licences and contracts</i> 3. <i>quasi-fiscal expenditures</i> 4. <i>subnational transfers</i> 5. <i>EITI mainstreaming</i> 6. <i>drafting of contextual information on Cameroon for the EITI Report</i> 7. <i>the Committee's code of conduct</i> The 2018 APR is available on the Committee's website 	SATISFACTORY
2.	(Requirement 1.5) Work plan	INADEQUATE	<ul style="list-style-type: none"> The MSG recalls that the Committee has a three-year work plan 2017–2019 The MSG recalls that the Committee has an updated work plan for Q4 2020 (September to December 2020), detailing work carried out up to 18 November 2020 and further work to be completed after this date 3. The MSG recalls that a three-year work plan 2021–2023 is available and has been published. The work plan was prepared with input from all three MSG constituencies and aligns with the national priorities set out in the action plan. 	<ul style="list-style-type: none"> 1. The three-year work plan 2017–2019 is available on the Committee's website 2. The updated work plan for Q4 2020 and the list of members of the three constituencies involved in preparing the work plan are available 3. The three-year work plan 2021–2023 and the list of members of the three constituencies involved in preparing the work plan are available on the Committee's website 	SATISFACTORY
3.			1. The MSG stresses that good governance is a national priority as reflected in the Constitution of 18 January 1996, which sets out	1. Law No. 96/06 of 18 January 1996 amending the Constitution of 2	

No.	Requirement	Draft assessment (second Validation)	ADDITIONAL OBSERVATIONS/INFORMATION	DELIVERABLES	Expectation of the Multi-Stakeholder Group
	(Requirement 2.5) Beneficial ownership	INADEQUATE	<p>rules on the disclosure of assets. This political and legislative will is further reinforced by Law No. 003/2006 of 25 April 2006 on the disclosure of assets.</p> <p>2. On 20 November 2018, the Prime Minister, Head of Government, presented the government's Economic, Financial, Social and Cultural Programme to Parliament. During the presentation, the Prime Minister announced the impending digitisation of the Trade and Personal Property Credit Register (RCCM) in court registries; the RCCM will play an important role in the forthcoming disclosure of beneficial owners (see 2018 APR, page 32)</p> <p>3. The MSG also recalls that the Industrialisation Master Plan has been signed. The plan marks a step change relative to the planning processes underpinning the various Five-Year Economic, Social and Cultural Plans</p> <p>4. The MSG recalls that the first National Industry Forum was held on 26–27 June 2018</p>	<p>June 1972, available on the Committee's website</p> <p>2. Law No. 003/2006 of 25 April 2006 on the disclosure of assets, available on the Committee's website</p> <p>3. Industrialisation Master Plan, available on the Committee's website</p> <p>5. The RCCM, which will play a major role in the forthcoming disclosure of beneficial owners (see 2018 APR, page 32)</p>	SATISFACTORY
			1. The MSG recalls that transparency is a key priority for the authorities in Cameroon. Transparency was further strengthened by the law of 2018 laying down the Code of Transparency and Good Governance in the Management of Public Finances in Cameroon, which includes provisions on the disclosure of assets (see Article 51 of Chapter 9 on integrity)	- Law of 2018 laying down the Code of Transparency and Good Governance in the Management of Public Finances in Cameroon (see Article 51 of Chapter 9 on integrity), available on the Committee's website	
			2. The MSG recalls that, in 2020, Cameroon ratified the African Union Convention on Preventing and Combating Corruption, which strengthens domestic legal provisions around the disclosure of assets, and combating corruption and similar offences	<p>1. Instrument of ratification of the African Union Convention on Preventing and Combating Corruption, available on the Committee's website</p> <p>2. <i>African Union Convention on Preventing and Combating Corruption</i>, available on the Committee's website</p>	
			3. The MSG recalls that, as a member of CEMAC, Cameroon is subject to the new CEMAC Regulation of 11 April 2016 on the prevention and suppression of money laundering, terrorist financing and proliferation in Central Africa, which lists over 20 categories of persons subject to obligations relating to money laundering, terrorist financing and proliferation	CEMAC Regulation of 11 April 2016 on the prevention and suppression of money laundering, terrorist financing and proliferation in Central Africa, available on the website	

No.	Requirement	Draft assessment (second Validation)	ADDITIONAL OBSERVATIONS/INFORMATION	DELIVERABLES	Expectation of the Multi-Stakeholder Group
	(Requirement 2.5) Beneficial ownership (continued)	INADEQUATE	<p>4. The MSG recalls that the implementing instruments for these laws are currently being prepared</p> <p>5. The MSG stresses that Cameroon's EITI Follow-up Committee has carried out a study of beneficial ownership in the extractive sector as part of work on the corresponding roadmap</p> <p>6. The report, which contains proposals for a consensus-based definition of beneficial ownership and related transparency mechanisms, was approved and adopted at a multi-stakeholder workshop. The study report is available and will be published on the Committee's website</p>	<p>1. Report on beneficial ownership, and</p> <p>2. List of members of the constituencies involved in preparing the report, available on the Committee's website</p>	SATISFACTORY
4.	(Requirement 6.2) Quasi-fiscal expenditures	INADEQUATE	<p>The MSG recalls that quasi-fiscal expenditures are considered sovereign expenditures by the government of Cameroon, and are classed as <i>government interventions</i> in the country's finance laws. This position is supported by the following documentation relating to the arrangement between Cameroon and the IMF:</p> <p>1. The Technical Memorandum of Understanding between Cameroon and the IMF under the Extended Credit Facility (2017–2019): in the definition of expenditures, SNH direct interventions are classified as budgetary expenditures (point 10)</p> <p>2. This definition is confirmed in the Letter of Intent and Memorandum accompanying the Technical Memorandum of Understanding</p> <p>3. The 2007 IMF <i>Guide on Resource Revenue Transparency</i> (page 33) defines the different types of economic and social quasi-fiscal activities (QFAs): energy QFAs, public expenditure QFAs, employment QFAs and borrowing QFAs.</p> <p>4. Point 35 of the guide states that “<i>State-owned enterprises and</i></p>	<p>- Technical memorandum on quasi-fiscal expenditures appended hereto and available on the Committee's website</p>	SATISFACTORY

No.	Requirement	Draft assessment (second Validation)	ADDITIONAL OBSERVATIONS/INFORMATION	DELIVERABLES	Expectation of the Multi-Stakeholder Group
	(Requirement 6.2) Quasi-fiscal expenditures (continued)	INADEQUATE	<p>government institutions, as well as the central bank can undertake quasi-fiscal activities (QFAs)” and that a definition of QFAs “would include all operations that could in principle be duplicated by specific budgetary measures in the form of an explicit subsidy or direct expenditure”.</p> <p>5. It should also be recalled that, in the interest of transparency and traceability, these direct expenditures are approved by Parliament as part of the Budget Review Act.</p>		SATISFACTORY
5.	(Requirement 7.4) Outcomes and impact of EITI implementation	INADEQUATE	<p>The MSG stresses that the EITI has had a real and measurable impact in Cameroon, as evidenced by the fact that:</p> <ol style="list-style-type: none"> 1.information about oil activities, the revenues earned from these activities, and how these revenues are used, is no longer considered a taboo subject 2.information relating to SNH is accessible and the oil-related data on its website is updated quarterly (output, share of oil revenues) 3.the mining, oil and gas codes include transparency requirements 4.the mining cadastre has been adopted and is in place 5.the adoption of the law of 2018 laying down the Code of Transparency and Good Governance in the Management of Public Finances in Cameroon means that the regulatory environment is now aligned with the reality of transparency 6.APRs are published on a regular basis (2018) and provide an overview of the MSG's responses to the Validator's recommendations and progress achieved 7.the APRs also provide details of progress in implementing each recommendation 	<p>See SNH website</p> <ol style="list-style-type: none"> 1. Mining, gas and oil codes, available on the Committee's website 2. Mining cadastre adopted and available on the Committee's website; it can be consulted on the Ministry of Mines, Industry and Technological Development (MINMIDT) website 3. Law of 2018 laying down the Code of Transparency and Good Governance in the Management of Public Finances in Cameroon, available on the Committee's website 4. 2018 APR, available on the Committee's website 5. Excerpts from the 2018 APR containing the MSG's responses to the Validator's recommendations, available on the Committee's website 	SATISFACTORY

No.	Requirement	Draft assessment (second Validation)	ADDITIONAL OBSERVATIONS/INFORMATION	DELIVERABLES	Expectation of the Multi-Stakeholder Group
6.	(Requirement 1.3) Civil society engagement	MEANINGFUL	<p>The MSG informs the EITI International Secretariat that all corrective actions from 2017 have been duly noted and implemented by civil society, as evidenced by the following elements, which comply with EITI guidance on civil society participation in the work of national MSGs:</p> <ol style="list-style-type: none"> 1. the 2018 decree establishing the EITI Follow-up Committee strengthens the role and involvement of the civil society constituency, with two categories of CSOs: statutory members (6) appointed by the authorities in light of their involvement in EITI implementation in Cameroon, plus members (2) from the platform and elected by their peers 2. a platform of CSOs involved in the extractive industries has been set up (OSC-ITIECAM) and minutes and other reports evidencing its existence are available 3. the EITI Follow-up Committee supports capacity building for the various constituencies, as evidenced in the presentation of the various MSG work plans 4. CSOs do not self-censor out of fear of reprisals 5. there are no limits on freedom of speech for CSOs at Committee meetings: CSOs were highly critical of the 2018 decree upon its publication and made proposals for improvements, which are available for consultation 6. there are no legal, regulatory or administrative barriers to civil society participation in the EITI process; in the wake of the previous validation, civil society participation has been expanded beyond MSG-member organisations – hence the creation of the OSC-ITIECAM platform 7. CSO representatives work and communicate with non-MSG-member CSOs through the platform (sharing information, adopting common positions and monitoring extractive sector activities) 8. CSOs publish the conclusions of MSG meetings, and official publications and press articles are regularly produced and circulated among Committee members 9. A CSO Coordination Unit has adopted a Code of Conduct, which is available and has been signed (the list of signatories is 	<ol style="list-style-type: none"> 1. Decree No. 2018/6026/PM of 17 July 2018 is published on the Committee's website 2. Minutes of meetings of the platform of CSOs involved in the extractive industries (OSC-ITIECAM) are published on the CSOs' websites and on the Committee's website 3. Attendance lists of civil society members involved in ad hoc working groups of Cameroon's EITI Follow-up Committee 4. Proposed amendment to the 2018 decree drafted by civil society (see 2018 APR, page 34) 5. The conclusions of MSG meetings and official publications by CSOs exist 6. Press articles are regularly published and are available 7. The Code of Conduct adopted by a CSO Coordination Unit and the list of signatories 8. The list of signatories is available 9. The financial documents showing that 25% of the sessional indemnities received by MSG-member CSOs has been contributed to civil society 	SATISFACTORY

No.	Requirement	Draft assessment (second Validation)	ADDITIONAL OBSERVATIONS/INFORMATION	DELIVERABLES	Expectation of the Multi-Stakeholder Group
			<p>available); the Code of Conduct states that MSG-member CSOs contribute 25% of their sessional indemnities; three signatories from the platform (CRADEC, UJC and PWYP) contribute to the platform's operating costs (documents to be produced and published on the Committee's website)</p> <p>10. The principle of free membership of the platform is enshrined</p> <p>11. There are no restrictions on communication, via official or informal channels, between civil society representatives on the MSG and the civil society constituency</p> <p>12. MSG-member CSOs participate freely in MSG discussions and advocacy activities relating to key topics for discussion by the MSG, as well as in the work of the ad hoc working groups set up regularly by the Committee (see meeting minutes and attendance lists)</p>		SATISFACTORY

No.	Requirement	Draft assessment (second Validation)	ADDITIONAL OBSERVATIONS/INFORMATION	DELIVERABLES	Expectation of the Multi-Stakeholder Group
7.	(Requirement 2.3) Licence register(s)	MEANINGFUL	The MSG recalls that: 1. Mining information is available 2. In terms of disclosure, SNH has published an online mapping portal (GéoSNH) providing remote access to geographical and mapping data for registered users, although the portal remains experimental at this stage.	1. Report on the disclosure of contracts and licences available on the Committee's website 2. List of members of the ad hoc working group available 3. Link to the MINMIDT website (mining information)	SATISFACTORY
8.	(Requirement 2.4) Contracts	MEANINGFUL	The EITI Follow-up Committee recalls that: 1. Mining information is available 2. In terms of disclosure, SNH has published an online mapping portal (GéoSNH) providing remote access to geographical and mapping data for registered users, although the portal remains experimental at this stage.	1. Report on the disclosure of contracts and licences available on the website 2. List of members of the ad hoc working group available 3. Link to the MINMIDT website (mining information)	SATISFACTORY
9	(Requirement 2.6) State participation	MEANINGFUL	With reference to the discrepancy between the data in the 2017 SNH report and the 2017 EITI Report, the MSG recalls that this discrepancy stems from the reconciliation of production data for the Lokele concession, where Addax supplied data on the basis of monthly production records for 2017, whereas the data contained in the SNH annual report are presented after adjustment.	2017 SNH report available on SNH's website	SATISFACTORY
10	(Requirement 5.2) Subnational transfers	MEANINGFUL	The EITI Follow-up Committee stresses that: 1. Cameroon ratified the African Charter on the Values and Principles of Decentralisation, Local Governance and Local Development in 2019, by way of Law no. 2019/003 of 25 April 2019 2. A government ministry with specific responsibility for decentralisation has been created (Ministry of Decentralisation and Development, MINDEDEVEL) 3. The Law laying down the General Code of Regional and Local Authorities was enacted on 24 December 2019, setting out the process and scope of transfers and the arrangements applicable to extractive companies and local communities 4. A National Council for Decentralisation was established in November 2020 by way of Decree No. 2020/676 of 3 November 2020 on the organisation and operation of the National Council	1. Law no. 2019/003 of 25 April 2019 authorising the president to ratify the African Charter on the Values and Principles of Decentralisation, Local Governance and Local Development, available on the Committee's website 2. Decree establishing MINDDEVEL, available on the Committee's website 3. Law No. 2019/024 of 24 December 2019 laying down the General Code of Regional and Local Authorities, available on the Committee's website 4. Decree No. 2020.676 of 3 November 2020 on the organisation and operation of the National Council for Decentralisation, available on the	SATISFACTORY

No.	Requirement	Draft assessment (second Validation)	ADDITIONAL OBSERVATIONS/INFORMATION	DELIVERABLES	Expectation of the Multi-Stakeholder Group
10 (continued)	(Requirement 5.2) Subnational transfers	MEANINGFUL	<p>for Decentralisation</p> <p>5. The process of setting up Regions has begun, with elections for Regional Executives set to take place in December 2020</p> <p>6. The EITI Follow-up Committee has established an ad hoc working group and produced a report on the matter of subnational transfers</p> <p>7. The report contains a series of proposals relating to transparency, which the Validator should examine, including setting up an escrow account so that resources can be made available to regional and local authorities at the earliest opportunity; mining revenue reports are available via the Mining Revenues Safeguarding Programme and decentralised departments, containing clear, disaggregated information on the shares apportioned to different beneficiaries, including regional and local authorities</p> <p>8. The Treasury Directorate is currently examining options for monetising the gold transferred by CAPAM</p> <p>9. The working arrangements for the Single Treasury Account are currently under review and an awareness-raising campaign is under way on the ground to explain the option of creating dedicated local authority Treasury sub-accounts at the Central Bank to enhance the traceability of transfers to regional and local authorities.</p> <p>10. The Ministry of Finance has adopted the Priority Plan for Financial Governance, including a component on interfacing the MESURE (General Directorate of Taxes) and CADRE (Treasury) applications for enhanced traceability of transfers</p>	<p>Committee's website</p> <p>5. Decree No. 2020/689 of 9 November 2020 on the organisation and operation of the Interministerial Committee for Local Services, responsible for preparing and monitoring the transfer of powers and resources to regional and local authorities, available on the Committee's website</p> <p>6. MSG report on subnational transfers, available on the Committee's website</p> <p>7. List of members of the constituencies involved in preparing the report, available on the Committee's website</p> <p>8. Technical memorandum on subnational transfers, available on the Committee's website</p>	SATISFACTORY
11	(Requirement 7.1) Public debate	MEANINGFUL	<p>The EITI Follow-up Committee stresses that:</p> <ul style="list-style-type: none"> - The CSOs participate fully in debates on natural resource governance (CRADEC has published the findings of a monitoring study on the domestication of the African Mining Vision in Cameroon, with a focus on tax systems and resource revenue management, relating to tax fairness in Cameroon); and CRADEC has officially unveiled the findings of another study on illicit financial flows in trade 	<ul style="list-style-type: none"> - Monitoring study on the domestication of the African Mining Vision in Cameroon, with a focus on tax systems and resource revenue management, relating to tax fairness in Cameroon, available on the CRADEC website - Study entitled <i>Transparency and Environmental Fraud in Cameroon's</i> 	SATISFACTORY

No.	Requirement	Draft assessment (second Validation)	ADDITIONAL OBSERVATIONS/INFORMATION	DELIVERABLES	Expectation of the Multi-Stakeholder Group
			<ul style="list-style-type: none"> - The CSOs have also participated in the debate on natural resources in other ways: PWYP has produced and published a magazine entitled <i>En toute transparence</i>, World Dynamics of Young People (WDYP) has carried out a study entitled <i>Transparency and Environmental Fraud in Cameroon's Mining Sector</i>, as well as publishing <i>The Mine in My Community: A Practical Guide to the Rights and Responsibilities of Communities Living Near Industrial Mines</i> - On 29 December 2018, Code for Cameroon held a training workshop for journalists in Cameroon on data journalism and open data - As part of phase two of the Project on Mines, Health, Environment & Society (ProMESS), Transparency International Cameroon (TI-C) recently commissioned a mapping study on integrity deficits in the mining value chain in Cameroon, in partnership with Forêt et Développement Rural (FODER) 	<p><i>Mining Sector</i>, available on the WDYP website</p> <ul style="list-style-type: none"> - <i>Practical Guide to the Rights and Responsibilities of Communities Living Near Industrial Mines</i>, available on the WDYP Committee's website - On 29 December 2018, Code for Cameroon held a training workshop for journalists in Cameroon on data journalism and open data. - Project on Mines, Health, Environment & Society (ProMESS) study by Transparency International Cameroon, in partnership with FODER, now available on the TI-C website at: https://ti-cameroun.org/#. 	

REPUBLIQUE DU CAMEROUN

Paix – Travail – Patrie

MINISTRE DES FINANCES

COMITE ITIE



REPUBLIC OF CAMEROON

Peace – Work – Fatherland

MINISTRY OF FINANCE

EITI FOLLOW-UP COMMITTEE

N° _ /MINFI/ITIE/

Yaoundé, 9 November 2020

TECHNICAL MEMORANDUM ON SUBNATIONAL TRANSFERS (Requirement 5.2)

In its assessment, the International Secretariat considered that the corrective action concerning subnational transfers has been partially implemented that Cameroon has made meaningful progress under **requirement 5.2**.

To this end, the International Secretariat proposed a number of measures to the Committee.

It should be noted that the International Secretariat has not taken account of ongoing progress in a number of areas, including on the effective distribution of subnational transfers to recipients, and on subnational transfer traceability.

This technical memorandum therefore addresses: (I) the process by which gold is collected and distributed by CAPAM, and (II) the distribution of subnational transfers to beneficiary entities.

I. THE PROCESS BY WHICH GOLD IS COLLECTED AND DISTRIBUTED BY CAPAM

In order to shed light on the Validator's concerns expressed on pages 38, 39 and 41 of the draft assessment report, it should be noted that CAPAM collects and transfers to the Ministry of Finance all combined business tax, which consists of three parts: ad valorem tax, corporate income tax (IS) and the state's share on gold production from other stakeholders.

In accordance with the Finance Act, the in-kind ad valorem tax is divided as follows:

- 25% for the local authority and local communities
- 65% for the Treasury
- 5% for the Ministry of Mines, Industry and Technological Development (MINMIDT)

- 5% for the General Directorate of Taxes.

In accordance with article 11 of the joint Order no. 003950/MINFI/MINMIDT of 1 June 2015 authorising CAPAM to collect the ad valorem tax on minerals and the monthly corporate income tax advance due by companies involved in small-scale and artisanal mining, on behalf of the General Directorate of Taxes, and specifying the arrangements for the performance of its mission, CAPAM is entitled to financial support amounting to 50% of the General Directorate of Taxes' share of the ad valorem tax.

As a reminder, prior to 2017, in accordance with Decree no. 2014/2349/PM of 1 August 2014, the state share was divided as follows:

- 30% to support ongoing physical gold movements
- 10% for development projects to support local communities
- 10% for collection teams
- 10% for the small-scale and artisanal mining activity follow-up committee.

Since 2017, the state share has been divided, in accordance with article 28, para. 3 of Law No. 2016/017 of 14 December 2016 laying down the Mining Code, between the Treasury, CAPAM, local communities, local authorities and the Mining Sector Development Fund. The distribution percentages are set by the Mining Code decree. However, the 2.5% share due to CAPAM is not yet effective. This share is subject to the signature, by the relevant Ministry of Finance departments, of the Instruction, a legal instrument for accounting for the combined business tax collected in kind. The distribution of the state share (17.8%) will be set by the decree which is currently under preparation.

In addition, it should be noted that CAPAM only retains part of the corporate income tax. It pays the full amount to the Ministry of Finance, and the collection data, disaggregated by local authority, are available and accessible to all.

Moreover, in 2017, CAPAM collected the ad valorem tax (15%) and the state share (15%) in accordance with the decree of 1 August. Under this arrangement, the 15% representing the ad valorem tax is distributed in accordance with the Finance Act (25% for the local authority, 65% for the Treasury, 5% for MINMIDT and 5% for the General Directorate of Taxes). In addition, the 15% representing the state share is distributed as follows: 2.2% of corporate income tax and 12.8% of the state's share on gold production from other stakeholders as follows:

- 40% in the form of material stored at the Ministry of Finance
- 30% to support ongoing physical gold movements by CAPAM
- 10% for community projects
- 10% for collection teams
- 10% for the follow-up committee.

The Ministry of Finance therefore carries out the transfers to the host local authorities.

II. MEASURES RELATING TO SUBNATIONAL TRANSFERS TO BENEFICIARY ENTITIES

Turning to measures designed to ensure the effective distribution of subnational transfers to beneficiary entities, especially regional and local authorities, it should be recalled that **an escrow account was opened at the Bank of Central African States** in 2019. At the end of each month, 5 billion CFA francs is placed in the account so that the government tax services can pay regional and local authorities the amounts corresponding to collected resources at the end of each quarter. In addition, the working arrangements for the Single Treasury Account have been reviewed so that resources can quickly be disbursed to FEICOM and to regional and local authorities. Under the new arrangements, **separate Treasury sub-accounts will be opened for each correspondent**.

In terms of subnational transfer traceability measures, the Ministry of Finance has begun work on a new computer application to interconnect the systems of the Treasury, Tax and Customs authorities. This measure is one of the priority actions in the Ministry of Finance's Governance Programme.

In addition, mining revenue reports are kept at the Ministry of Mines, Industry and Technological Development (MINMIDT).

Lastly, a joint Ministry of Finance and MINMIDT Interministerial Committee has been set up, with responsibility for receiving and monetising quantities of gold transferred from CAPAM to the state. The General Directorate for the Treasury and Financial and Monetary Cooperation (DGTCFM) is also preparing an Instruction on accounting for the quantity of gold transferred and its distribution to the different beneficiary entities.

REPUBLIQUE DU CAMEROUN

Paix – Travail – Patrie

MINISTRE DES FINANCES

COMITE ITIE



REPUBLIC OF CAMEROON

Peace – Work – Fatherland

MINISTRY OF FINANCE

EITI FOLLOW-UP COMMITTEE

N° _ /MINFI/ITIE/

Yaoundé, 9 November 2020

TECHNICAL MEMORANDUM ON QUASI-FISCAL EXPENDITURES (Requirement 6.2)

Cameroon was judged to have made *inadequate progress* in implementing **EITI requirement 6.2 on quasi-fiscal expenditures**. In its draft assessment, the EITI International Secretariat considered that SNH “direct interventions” are equivalent to quasi-fiscal expenditures since they are not a conventional form of budget execution.

However, the Validator’s attention is drawn to a number of points that provide greater clarity as to the criteria underpinning this requirement and that, if given due consideration, should result in progress being rated as “satisfactory”.

In the Technical Memorandum of Understanding between Cameroon and the IMF under the Extended Credit Facility (2017–2020), point 10 (under “Expenditure”) reads as follows:

“Spending advances [interventions directes] by SNH (National Hydrocarbon Society) are part of government expenditure, and include emergency payments made by SNH on behalf of the government, substantially to cover exceptional security and sovereignty outlays.”

In addition, point 12 of the same Technical Memorandum of Understanding states that the **primary balance** is defined as the difference between total **government revenue** and **government expenditure (including expenditure items executed without prior authorisation that are pending regularisation, and spending advances)**.

While “direct interventions” are undoubtedly an exceptional form of budget execution, they are fully included in the budget before the end of each financial year. More specifically, at the end of each month, a committee comprising representatives of SNH, the Treasury and the General Directorate for the Budget meets to reconcile the figures and classify these expenditures under the relevant budget chapters according to their economic nature.

This process, by which these expenditures are included in the government budget, reflects the authorities' commitment to transparency and is at odds with the principle of quasi-fiscal expenditures, the purpose of which is primarily to reduce the size of the budget or the deficit. Instead, these "direct interventions" are intended for situations of extreme urgency that cannot be handled via the conventional expenditure flows in Cameroon.

In addition, the IMF Manual on Fiscal Transparency (page 76, box 19) lists the main types of quasi-fiscal activity as follows:

- ✓ **Operations related to the financial system:** Subsidised lending, Under-remunerated reserve requirements, Credit ceilings, Rescue operations
- ✓ **Operations related to the exchange and trade systems:** Multiple exchange rates, Import deposits, Deposits on foreign asset purchases, Exchange rate guarantees, Subsidised exchange risk insurance, Non-tariff barriers
- ✓ **Operations related to the commercial enterprise sector:** Charging less than commercial prices, Provision of non-commercial services (e.g. social services), Pricing for budget revenue purposes, Paying above commercial prices to suppliers

As many other sources confirm, the common distinctive feature of these operations is that the expenditures are not included in the budget, and their value is very often understated, in an attempt to under-estimate budget expenditures and, as a result, reduce the size of the budget or the budget deficit.

"Direct interventions" cannot therefore be considered off-budget expenditures since they are, in reality, a form of spending advance on items executed without prior authorisation but not off-budget.

It is important to recall that, in relation to government resources, the Finance Act includes an annual forecast of oil revenues (sales of the state's share of oil), while "direct interventions" are treated as expenditure and recorded as credits under the relevant budget chapters.