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Secretariat Review: Cameroon

For decision

EITI International Secretariat

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SECRETARIAT REVIEW: CAMEROON

1 Preface

On 19 October 2010, the EITI Board designated Cameroon as a Candidate country that is 'close to Compliant'. The Board set a deadline of 19 April 2011 for Cameroon to complete five remedial actions and request a Secretariat review. This deadline was met. The Secretariat has completed the Secretariat Review and has presented the case to the Validation Committee. The Validation Committee has discussed the case but has not reached a consensus on whether all remedial actions have been completed.

At its teleconference on 15 September, the Validation Committee considered that Cameroon had satisfactorily completed all but one of the remedial actions, remedial action 2. The main issue of concern relates to whether Cameroon has demonstrated that "all material oil, gas and mining payments to government" and "all material revenues received by governments from oil, gas and mining companies" have been covered in the 2006-2008 report. Some Validation Committee members are satisfied that the Secretariat review has established that all material payments and revenues have been disclosed. Others questioned why the Comité de Suivi had in the process of explaining payments that had not been included in the 2006-2008 EITI report first stated a signature bonus payment by Glencore of USD 2.5 million but subsequently stated it was USD 5,183 (also see discussion under 4.2.2 and 4.2.3 of this review). The Validation Committee noted that the source of the information about this payment was of importance as it would affect the veracity of the other data as well. It tasked the Secretariat to provide further information regarding the discrepancies in the 2008 EITI Report relating to payment from Glencore (see meeting minutes of 15 September 2011). It was agreed that the Committee would revisit this case at its next meeting, taking into account further information from the Secretariat. The Secretariat sought and received comments from the Company and the Comité de Suivi. The findings are discussed under 4.2.2 in this review. Both Glencore and the EITI Comité de Suivi confirm that the correct figure for Glencore's signature bonus is the USD 2.5m. The Secretariat calculates that the USD 2.5m correspond to 0.35% of total oil and mining payments.

The Validation Committee has not been in a position to revisit the case at a quorate Committee meeting. It was therefore agreed with the Chair of the Committee that this case be presented to the Board as a Secretariat paper.

2 Introduction

The Government of Cameroon committed to implement the EITI in March 2005. Cameroon was formally admitted as an EITI Candidate on 27 September 2007. The Board established a deadline of 9 March 2010 to complete the Validation process. Cameroon issued its first EITI Report in 2005, covering company payments and government receipts from 2001-2004. The second report was completed in 2007 (data from 2005), and a third EITI report was published in July 2010 (data from 2006-2008). Preparations for the fourth and fifth EITI reports on data from 2009 and 2010 have commenced.

Cameroon commenced validation in December 2009. A final report (endorsed by the EITI Comité de Suivi) was submitted to the EITI Board on 9 July 2010. Having reviewed the validator's findings, on 19 October 2010 the EITI Board designated Cameroon as Candidate country. Based on a thorough assessment of the specific circumstances, Cameroon was designated 'close to compliant'. The Board decision is presented at Annex A.

As set out in EITI Policy Note #3, the designation of 'close to compliant' applies in cases where the EITI Board considers that "a Candidate country has not only made meaningful process, but can reasonably be expected to achieve Compliance within a very short time". It provides a mechanism whereby the Board can designate a country as Compliant based on a review undertaken by the EITI International Secretariat. The EITI Board decision of 19 October 2010 sets out a series of remedial actions that need to be addressed in order to attain compliance. The Secretariat's assessment of progress is presented in section 3, below.

The EITI International Secretariat conducted its review in Cameroon 26-29 April 2011, and met with key stakeholders. Due to the complexity of the assessment, further analysis and consultations with stakeholders were undertaken May – July 2011. A list of stakeholders consulted is presented at Annex B.

The Secretariat sent a draft of the review to the EITI Comité de Suivi on 2 August 2011 (French version on 15 August 2011) and received feedback on 31 August 2011.

3 Cameroon's response to the Validator's findings

Following validation and the EITI Board decision on 19 October 2010, the Cameroon government and the EITI Comité de Suivi undertook a number of actions aimed at strengthening the EITI process.

- Publication of the 2006-2008 report. The Comité de Suivi has adopted a workplan that includes the 2009 and 2010 reports, which should enable Cameroon to meet requirement 5(e) of the 2011 edition of the EITI Rules by the end of 2012.
- The Comité de Suivi has discussed and agreed a clearer definition of materiality and established thresholds of what defines a material payment for the reporting templates for the 2009 report.
- It has been established that not all companies participated in the 2006-2008 report. The Comité de Suivi has been working to explain why, and to calculate the significance of this non-participation. The findings from this work are documented in the discussion of Remedial Action 2 below. The Comité de Suivi and the government have paid particular attention to explaining the applicable payments and company engagement linked to exploration companies.
- The Comité de Suivi has provided evidence relating to whether company accounts have been audited to international standards.
- The Comité has considered the control of State accounts through the Parliament and *Audit Bench of the Supreme Court* exists and the implications for the reliability of the data disclosed by government agencies to the reconciler.
- The reconciler and stakeholders have invested considerable time and resources in explaining and investigating discrepancies have made useful recommendations for how to address discrepancies in future reports.
- EITI Cameroon has a communications strategy¹ which is being implemented. The outreach activities are centred on working with regional resource persons.

4 Secretariat Review of Remedial Actions and Assessment of Indicators

As set out in Annex A, the EITI Board agreed five remedial actions and tasked the Secretariat with reassessing validation indicators 7, 9, 11, 12, 13, 14, 15, 17 and 18. The Secretariat's assessment below in turn addresses the corrective actions, with reference to the relevant validation indicators as appropriate.

4.1 Remedial Action 1

The EITI Criteria require regular reporting, and there should be a clear timetable for the publication of the 2009 report.

4.1.1 Validator's findings

The Validator reported that since starting EITI implementation, EITI Cameroon had failed to produce reports at the time foreseen in the workplans. The production and publication of the 2001-2004, 2005 and 2006-2008 were all delayed (see pp. 14-15, validation report).

4.1.2 Progress since validation

The 2006-2008 report was published on 16 September 2010, several months after the final validation report was agreed by the Comité de Suivi. Since then, EITI Cameroon has agreed a workplan for publishing the 2009 and 2010 reports before 31 December 2012 (See Annex 1 of the Supplementary Note). The Comité de Suivi has decided to issue the 2009 and 2010 reports consecutively. The Comité de Suivi started work on the scope and ToRs for the 2009 report at its 24 August 2011. Publication of the 2009 report is scheduled for February 2012.

4.1.3 Secretariat's Assessment

With the publication of the 2006-2008 reports, EITI Cameroon has taken an important step towards achieving regular reporting. It is welcome that the Comité de Suivi has adopted a workplan that not only contains the 2009 but also the 2010 report, which if followed will ensure that Cameroon meets requirement 5(e) of the 2011 edition of the EITI Rules by the end on 2012.

EITI International Secretariat's assessment is that Cameroon has completed this remedial action.

¹ http://eiticameroon.org/index.php?option=com_content&view=article&id=133:campagne-nationale-dinformation-et-de-sensibilisation-sur-litie-dans-la-region-de-lest

4.2 Remedial Action 2 (Indicators 7, 9, 11, 14, 15)

The Comité de Suivi should agree a clearer definition of materiality, and demonstrate that “all material oil, gas and mining payments to government” and “all material revenues received by governments from oil, gas and mining companies” have been covered in the 2006-2008 report. In particular, the Comité de Suivi should agree an approach for exploration companies. In agreeing a definition of materiality, the Comité de Suivi is encouraged to consider a specific figure that defines a material payment. This definition should be incorporated into the reporting templates for the 2009 report.

4.2.1 Validator’s findings

Concerning **Indicator 7**, determining “the extent to which all companies [were] actively engaged in the process”, the Validator reported that that he “[had] not been provided with sufficient information to assess whether this indicator has been met”. The validator describes some actions undertaken by the government and the Comité de Suivi to engage more companies, including letters to all companies sent by the Minister of Finance.

Regarding **Indicator 9**, the validator confirmed that the committee approved the reporting templates, and that there was ongoing debate regarding aggregated and disaggregated reporting. The validator quoted the Comité de Suivi’s definition of materiality, as recommend by the reconciler². However, the definition did not clearly identify what type of payments and revenue streams should be disclosed and reconciled. Furthermore, there was no reference to an agreed threshold defining which payments and revenue streams were material. Thus, it was not clear which companies and government entities should have been participating in the reporting process. At p. 29 of the validation report, for example, the validator noted that “some companies were excluded from the scope for insignificant payments to the State”. ‘Insignificant payments’ and ‘some companies’ were not defined in the validation report.

The Validator’s judgment on **Indicator 11** was that this indicator had been met. However this conclusion was not adequately substantiated. In reviewing the final validation report, the Secretariat consulted the national coordinator and examined the draft reconciliation report 2006-2008. 22 companies (13 oil and gas, 9 mining companies) were asked to participate in the process. Only 11 reported (8 oil and gas, 3 mining companies, (see Annex C for table of listing all 22 companies, indicating which companies did not participate). The national coordinator’s explanation was that “the companies that [had] not declared were mostly in the exploratory phase. With the exception of surface royalties and fixed fees, they [had] nothing else to pay and silence from their part is as a result of the absence of the substance to be declared” (quote from the National Coordinator in Secretariat assessment, p. 9). The Board subsequently agreed that the significance of the non-participation of 11 companies had to be assessed.

Concerning **Indicator 14**, the validator stated that “the conciliator confirmed to the Validator that all material payments were disclosed to produce the reports. However, the Validator has not been provided with sufficient evidence or information to support this claim. ... Based on the evidence provided to the Validator, and interviews carried out during the Validation country visit, stakeholders do not have access to sufficient information to make an informed judgment about whether they are satisfied that the EITI process covers all material payments”.

Regarding **Indicator 15**, the validator wrote that while the “conciliator confirmed that all material revenues received by the government were disclosed to them to produce the EITI reports. ... the Validator [had] insufficient evidence or information to support this claim”.

² “On the basis of the TOR, the Conciliator came out with the following definitions for the identification of the different streams to be considered during his mandate:

- (i) the payments are recorded on the debit side of the bank account of the payer;
- (ii) the date of payment corresponds to that which the bank account was effectively debited ;
- (iii) the date of consideration of the revenue corresponds to that which the bank account of the receiver is credited;
- (iv) the revenue has to be declared for the period during which it is received

A few weeks after the beginning of his mandate, the Conciliator presented these definitions to the Committee for validation. (p. 26, validation report)

4.2.2 Progress since validation

EITI Cameroon has undertaken substantial remedial action and provided useful explanations to address the corrective actions.

Definition of materiality and of a materiality threshold

The Comité de Suivi has discussed and adopted a clearer definition of materiality for future reports (meaning the 2009 report and beyond), as described in the Supplementary Note on pp. 7-8. It applies the definitions and thresholds provided in the existing Cameroon laws. The law sets minimum thresholds for each type of payment, underneath which companies do not need to declare because payments would be insignificant. Generally, the Comité intends to use the same thresholds as foreseen in the law. An overview of the benefit streams and the corresponding thresholds is available in annex III of the Supplementary Note. For ease of treatment, some taxes like the various small fixed fees applicable to companies in the exploration phase will be bundled into one lump sum for all fixed fees at the threshold of Franc CFA 500,000. Where the law foresees no threshold, EITI Cameroon has set a threshold of zero. Exploration-related fees have been defined as a material benefit stream. These include annual surface taxes and fixed fees at a threshold of Franc CFA 500,000 per each of these groups.

Participation of companies and inclusion of payments

Concerning the scope of companies covered, the Comité de Suivi stated that:

“With regards to the current report (2006, 2007 and 2008) the reporting scope comprises:

- (i) All oil companies in the productive phase*
- (ii) the major oil companies in the exploratory phase and*
- (iii) the major mining companies in the exploratory phase.”*

They go on to state that “some companies were excluded from the scope for insignificant payments to the State” (p. 29, validation report).

Cameroon’s 2006-2008 report EITI report lacked a clear definition of materiality, especially as it related to the participation of exploration companies. Only 11 out of the 22 targeted companies participated. The Comité de Suivi asked the Reconciler to issue a supplementary report to explain discrepancies and has undertaken further investigations to assess the extent of missing data. This was not a reconciliation process. There are still information gaps and uncertainties as to what taxes were paid by these companies. The Secretariat has sought to determine the materiality of payments from non-participating companies (for full details, see annex H). Below we summarise our findings:

- The 11 companies that did not report were in the exploration phase (six mining, four oil and gas), with the exception of one oil company in the production phase, Mobil Producing Cameroon Inc.
- The Comité de Suivi reports that the **six mining companies** in the exploration phase were required to pay the following taxes: a one-off payment in fixed fees and annual surface taxes at Franc CFA 2000 (EUR 3) per km² of concession. The Government has estimated the expected payments for the period 2006-2008 based on the size of the concession: USD 40,738 in one-off fixed fees and USD 44,925 in surface fees. Combined, this figure represents 9.01% of total payments in the mining sector and 0.18% of total payments.
- During the review it emerged that **Mobil Producing Cameroon Inc (MPCI)**, did provide data to the reconciler in November 2009. However for reasons that are not clear this data was never included in the 2006-2008 report. The government reported the corresponding receipt in the 2006-2008 Report and the Reconciler discussed the corresponding discrepancy in their supplementary note. The government reported payments from MPCI of USD 46,370,225 (company tax, dividends and proportional tax) in the period 2006-2008. This represents 6.44% of all oil and mining payments received.
- For the **four oil and gas companies in the exploration phase**, the Comité de Suivi reports that oil and gas companies in the exploration phase are required to pay the following taxes: 1) surface taxes, 2) signature bonuses, 3) training fees, and 4) fixed fees. The Comité de Suivi has provided the following data for these four companies:
 - Glencore: payments of USD 5,183 for a signature bonus for the period 2006-2008. In an earlier report by the Comité, this figure had been communicated as being USD 2,5m. The Validation Committee requested that the Secretariat seek further clarification on this payment. Both Glencore and the EITI Comité de Suivi confirm that the correct figure for Glencore’s signature bonus is the USD 2.5m. On 20 September, Michael Fahrback, EITI point person at Glencore wrote: “I discussed it with my colleagues. We reported USD 2,5m. We cannot reconcile the USD 5,183.” On 26 September, Sylvanus Binla, CSO member of the Comité de Suivi and member of the April 2011 mission to find

missing data, writes: "... looking at the two tables I will want to believe that the table with USD 5,183 might have come as a result of the two sites that Glencore as of 2010 has (MATANDA 2008 and BOLONGO 2010) see the attachment of this table on the same page. In this regard the figure that is appropriate will be USD2,5 which corresponds with the Bonus de signature of MATANDA in 2008" (see Annex F of this review). The Secretariat calculates that USD 2.5m correspond to 0.35% of total oil and mining payments, and that all total payments from oil companies in the exploration phase that did not make it into the 2006-2008 report now amount to 0.4% of the total. As established previously, the corresponding percentage for mining companies in the exploration phase is 0.18%. And the percentage for Mobil (in production) is 6.44%, as documented in the reconciler's September 2010 supplementary note to the 2006-2008 report.

- Noble: payments of USD 307,338 in fixed fees and USD 21,250 in surface tax and for the period 2006-2008. While the USD 21,250 had been confirmed in an earlier report by the Comité, the Secretariat had also found a figure of USD 47,207 from another source.
- Addax: payments of USD 8,843 for surface tax and USD 6,219 for a signature bonus for the period 2006-2008,
- Rodeo: payments of USD 730 in surface tax for the period 2006-2008

In summary this totals USD 349,563, representing less than 0.05% of all oil and mining payments received. The Comité de Suivi also provided an overview of the contracts signed and permits granted to demonstrate when which type of payment was due.

In aggregate, the Comité de Suivi takes the view that the "payments not declared by the non-participating companies were relatively insignificant". In the absence of a thorough reconciliation process, the Secretariat is not in a position to verify or contradict this claim. If one assumes that these figures are reliable, it would appear to be reasonable to conclude that the non-participation of these companies did not materially affected the overall quality of the EITI Report. The Comité de Suivi has agreed a clearer approach with regard to exploration companies for the 2009 report. The Secretariat recommends that the Board reviews this data and determines whether this satisfies the requirements for Compliance.

Ensuring company engagement in the process

The Comité de Suivi has recognised that **concrete remedial actions** are necessary to ensure comprehensive company participation in EITI reporting. The first action was to task the reconciler of the EITI Report 2006-2008 to provide a supplementary note to analyse discrepancies and get a better understanding of areas where companies had not sufficiently cooperated. Another demonstration of action is the decision of 13 April 2011 to launch the mission to investigate and collect missing information. In its Supplementary Note, the Comité also describes the following measures that it had agreed to take for future reports vis-à-vis companies both in the exploration and production phase (p. 6):

- Simplify the reporting forms;
- Instruct companies through outreach and training on each form how to return the forms;
- Include the new definition of materiality;
- Train future users of the forms (an activity now in the new workplan);
- Ask all companies in the scope to sign a declaration of support (model in annex to the Supplementary Note).

Participation of government entities and inclusion of revenues

The Comité de Suivi, the Reconciler, the Treasury and the Tax Office have all argued that all government entities have participated and that all material revenues have been communicated for inclusion in the 2006-2008 report (see Supplementary Note and Secretariat interviews with stakeholder groups). It is generally acknowledged that some state entities reported late and did not fully understand the templates at first. There was also some confusion about the respective competencies of the Treasury and the Tax Office, who capture data on the same revenues. The Treasury does so in the form of an aggregate figure on the nature of revenue (oil, gas or mining), which was not sufficiently detailed for the purposes of EITI reconciliation and reporting. The Tax Office collects and records the actual payments by company and tax type. Identifying who reports on what for the 2006-2008 report apparently caused some confusion at first, but was subsequently resolved according to all stakeholders that we interviewed.

By way of remedial action, the Comité de Suivi intends to develop reporting forms for 2009 and 2010 with clearer instructions to help the state entities understand what data to provide and how.

4.2.3 Secretariat's Assessment

The Secretariat is satisfied that the Comité de Suivi has discussed and agreed a clearer **definition of materiality** and defined credible **thresholds of what defines a material payment** for the reporting templates for the 2009 report. Setting materiality thresholds in line with those foreseen by the Cameroonian laws is a logical approach. The Comité de Suivi and the government have paid particular attention to explaining the issues linked to exploration companies and appear to have a credible approach for addressing this issue going forward.

Concerning the **participation of companies (including in the exploration phase) and government entities** in reporting and the **inclusion of all material payments/revenues**, it is clear that not all companies reported and it is likely that the government did not report all revenues. The Comité de Suivi asked the Reconciler to issue a supplementary report to explain discrepancies and has undertaken further investigations to assess the extent of missing data. However, this was not a thorough reconciliation process. There are still information gaps and uncertainties as to what taxes were paid by these companies. The Comité de Suivi has concluded that the "payments not declared by the non-participating companies were relatively insignificant". In the absence of a thorough reconciliation process, the Secretariat is not in a position to verify or contradict this claim. If one assumes that these figures are reliable, it would appear to be reasonable to conclude that the non-participation of these companies did not materially affect the overall quality of the EITI Report. **The Secretariat recommends that the Board reviews this data and determines whether this satisfies the requirements for Compliance.**

4.3 Remedial Action 3 (Indicators 12 and 13)

As per the Indicator Assessment Tool for Indicators 12 and 13, the Comité de Suivi should provide additional information demonstrating that all company and all government disclosures to the reconciler for the 2006-2008 are based on audited accounts to international standards.

4.3.1 Validator's findings

Regarding **Indicator 12**, the validator noted that "all stakeholders consulted about the issue agreed that, in their opinion, companies are reporting to international standards." The validator provided some information on company auditing procedures. However, it was not clear if all reporting companies followed these procedures. The validator also noted that "there is currently not enough evidence available to assess the extent to which all members of the Comité de Suivi have discussed and agreed this issue".

Concerning **Indicator 13**, the validator states that "the accounts of SNH and Sonara, as majority state-owned companies, are both audited to international standards. The Technical Secretariat confirmed that the Ministry of Finance (including Treasury and Tax) accounts are reviewed by the National Assembly and the judicial Court of Accounts (*Audit Bench of the Supreme Court*). National accounts are also reviewed by the World Bank and the IMF." However, it was not clear if the legal provisions for auditing government agencies by supreme auditing bodies are, in practice, enforced. The basis for the validator's conclusion that the indicator has been met appeared to rest on assurances given (but not verified) and stakeholders' perceptions that the legal framework in place is a guarantee of the quality of government-provided data.

4.3.2 Progress since validation

The Comité de Suivi has provided additional information with the intention to demonstrate that all company and all government disclosures to the reconciler for the 2006-2008 are based on audited accounts to international standards.

Quality of data on company payments

In its Supplementary Note, the Comité de Suivi has addressed the question of whether data on company payments for the 2006-2008 reports was audited to international standards. The Comité refers to the obligation of all companies under Cameroonian law to have its accounts audited annually under OHADA rules. The Comité is unable to prove that this has actually been done. It laments that this should have been the task of the reconciler although it was not part of his ToR. However, the Reconciler had out of principle limited his intervention to a 'compilation of data following the standard ISRS 4410 (ISA 930)' and that he was therefore methodologically not in a position to guarantee the quality of data.

An analysis of the reconciliation and validation reports as well as discussions with stakeholders during the Secretariat assessment (companies, NOC, tax authorities, IFIs, reconciler) have helped to shed more light on which companies have submitted data audited to international standards.

- The reconciler asked companies to send letters or certified reporting forms attesting the quality of data which Total E&P, Kosmos Energy, Euroil, Sonara and SNH subsequently returned (2006-2008 report, p. 30).
- For the other companies who did not return letters or forms, oil companies operating in Cameroon have a contractual obligation to have their accounts audited if and when requested by SNH, which has a State oversight role. SNH sent the Secretariat mission samples of audits conducted 2006-2008 by national and international audit firms.

The Secretariat has thus received evidence that all oil companies except one (Sterling) in the production phase (and which participated in reporting in 2006-2008) submitted data audited to international standards. This includes the national oil company SNH and the national refinery SONARA. In the case of Sterling, it is reasonable to assume that their accounts are also prepared in accordance with international standards as required by Cameroonian law. There are no indications that this is not the case.

Out of the three mining companies that produced and reported in 2006-2008, only Geovic has been confirmed as having submitted data audited to international standards.

CIMENCAM is an S.A. or public limited company and therefore obliged by Cameroon law to have its accounts audited every year. CIMENCAM is owned to 43% by the Cameroonian State and to 55% by Lafarge, a French CAC40 company. The Comité de Suivi and the Reconciler both indicated their confidence that CIMENCAM has accounts audited to international standards. The Comité de Suivi explains that ETS Rocaglia is an establishment and not an S.A. and therefore not obliged by Cameroon law to have its accounts audited. Both companies are minor players in Cameroon's mining sector compared to Geovic, mitigating the risk of data drawn from unaudited accounts having a material effect on the overall quality of the report.³ The Comité de Suivi has not specifically examined the exact auditing procedures in the mining companies that did not participate in the reporting process.

There is widespread agreement among the stakeholders interviewed that the large companies that produce in Cameroon and participate in EITI reporting do have their accounts audited to international standards. SNH – which has a State oversight role on all companies operating in Cameroon – wrote to the Minister on 29 April 2011 following a meeting with the Secretariat assessment mission:

“Concerning audits [of oil companies], I remind you that the oil activity is mainly international, and so the companies operating in Cameroon are branches of multinationals who would have difficulties with non-audited accounts, given the need to consolidate their accounts with those of the groups. In addition, the accounting area OHADA to which Cameroon belongs obliges anonymous companies that operate to have certified accounts established by the directing bodies (Board and General Assembly) within six months of the closing of a given exercise. The Certifier has to be a renowned professional, registered with the Order of Auditors ... Being a shareholder/Board member of the oil companies, and State agent in the oil associations, the SNH attests that all of the various audits [obligatory in all contracts] have been done in the companies in question in the period 2006-2008 ...”.

The Comité de Suivi recognises the need to ensure the quality of data drawn from company accounts and states in its Supplementary Note that it will consider introducing reporting forms that are certified by the company's auditor for future reports (p. 9). At the time of reporting, the Comité had not yet made a decision on this point. The Secretariat recommends that the Board encourages the Comité de Suivi to implement this proposal.

Quality of data on government revenues

The Comité de Suivi has dealt with the question of whether data provided by government has been audited to international accounts. In its Supplementary Note, the Comité describes that cumulative controls of the State accounts are foreseen by independent bodies: a) a Parliamentary control by the National Assembly and b) a judicial control by the *Audit Bench of the Supreme Court* of the Supreme Court. Stakeholders generally agree that the National Assembly has regularly controlled the State accounts, including for revenue from the extractive industries from the years 2006, 2007 and 2008. However, it is also recognised that the *Audit Bench of the Supreme Court* that would provide an additional control had been established in 2004 but had only been recognised as a functioning and credible body in 2009. In that year, it published its first report on the years

³ According to a World Bank presentation on Cameroon's mining sector in 2009, at http://siteresources.worldbank.org/EXTOGMC/Resources/336929-1246457280712/3_Matip_mining.pdf, Rocaglia in 2009 had a licence to produce just 6000t of marble.

2004-2009, including the period 2006-2008 of interest here. The quality of controls made for the years up to 2008, before the *Audit Bench of the Supreme Court* gained full capacity, have not been independently verified. However, the Comité de Suivi has a full appreciation of these challenges, and confidence that EITI reports from 2009 onwards will benefit from an additional control by the *Audit Bench of the Supreme Court*.

4.3.3 Secretariat's Assessment

The Secretariat has not been able to establish that all company reports "are based on audited accounts to international standards" (as per indicator 12). The majority of companies and the largest companies appear to meet this requirement. However, the compliance of small companies is not clear. The Comité de Suivi takes the view that the current situation is adequate, given the relatively insignificance of the payments from these companies. The Comité de Suivi is considering adopting a procedure whereby all companies would certify their disclosures to the reconciler. The Secretariat recommends that the Board encourages the Comité de Suivi to implement this proposal.

On **Indicator 13**, the Secretariat recognises that a control of State accounts through the Parliament and *Audit Bench of the Supreme Court* exists, and that the Comité de Suivi has a strong appreciation of these procedures.

EITI International Secretariat's assessment is that Cameroon has completed this remedial action and has satisfied Indicators 12 and 13.

4.4 Remedial Action 4 (Indicator 17)

The Comité de Suivi should agree a process for how any discrepancies identified in the 2006-2008 report will be addressed, and how this issue will be addressed in the 2009 report.

4.4.1 Validator's findings

The validator concluded that "this indicator had been partially met, and that there is significant room for improvement. The two reports published to date identified discrepancies, as does the draft 2006-2008 report. However, analysis of any identified discrepancies and recommendations based on the discrepancies are not included in the reports, as this is beyond the scope of the conciliator's Terms of Reference" (p. 54). The Validation Committee had recommended to the Board that compliance with indicator 17 should be reassessed based on the detailed analysis of the 2006-2008 report.

4.4.2 Progress since validation

Upon request by the Comité de Suivi, the reconciler Mazars provided a Supplementary note in September 2010 addressing discrepancies identified in the third reconciliation cycle (2006-2008). The note has been discussed by the Comité de Suivi and was signed by Minister of Finance Menye. It is now an integral part of the report and has been published. The note states that "the weaknesses noticed in this report constitute a source of improvement for future conciliation reports. They will be taken into consideration in the elaboration of the terms of reference of the Conciliator and in the follow up of his mission" (page 5). In its Supplementary Note to the Board, the Comité has submitted a detailed analysis of discrepancies in the 2006-2008 report to "shed light on our explanations of the discrepancies, and above all to demonstrate the steps undertaken by the Comité de Suivi of the EITI Cameroon to reduce the root causes of these discrepancies in upcoming reconciliations." (p. 11). A table with explanations is attached in Annex IV of the note.

The major reasons for discrepancies identified are structural (USD exchange rate used in calculations, accounting methodology used for reconciliation) or linked to the unavailability of figures from the 11 companies that did not report. According to the Comité de Suivi's Supplementary Note, after treatment, the main discrepancy concerned oil companies, was in the category of "company tax" and amounted to only 0.4% of all payments made by oil companies in the period. The gap between payments and revenues from mining companies amounts to 24%. The source of this discrepancy is described as a result of the confusion about the respective competencies of the Treasury and the Tax Office, who capture data on the same revenues, according to interview with the Comité de Suivi, Treasury and Tax Office and the Reconciler. The Treasury does so in the form of an aggregate figure on the nature of revenue (oil, gas or mining), which was not sufficiently detailed for the purposes of EITI reconciliation and reporting. The Tax Office collects and records the actual payments by company and tax type. Identifying who reports on what for the 2006-2008 report apparently caused some confusion at first, but was subsequently resolved for that reporting exercise according to all stakeholders interviewed during the Secretariat's mission. The majority of discrepancies could be explained in the Supplementary Note to the 2006-2008 EITI report.

The Comité de Suivi has described in technical detail the corrective measures to be taken to resolve for every type of discrepancy (see Annex IV of the Supplementary Note) and address this issue in future reports. The Comité will ask all companies in the scope of future reports to sign a declaration of support to the EITI in Cameroon to avoid that some

companies disclose no or insufficient data thus causing discrepancies (see draft in Annex VII Supplementary Note). The Technical Secretariat was strengthened by the designation as members of this structure with three staff from the Directorate General of the Treasury, the Financial and Monetary Cooperation (DGTCFM) and the Finance Ministry, which should facilitate collection of data among this administration for future reconciliations. (Supplementary Note, p. 12).

4.4.3 Secretariat's assessment

The Secretariat has closely analysed and discussed the way the Comité de Suivi has developed and agreed a process for how the discrepancies identified in the 2006-2008 report have been and will be addressed, and how this issue will be addressed in the 2009 report. The reconciler and stakeholders have invested considerable time and resources in explaining and investigating discrepancies, and have made useful recommendations for how to address discrepancies in future reports

EITI International Secretariat's assessment is that Cameroon has completed this remedial action and has satisfied Indicator 17.

4.5 Remedial Action 5 (Indicator 18)

The Comité de Suivi should implement agreed actions to ensure that the next report is publicly accessible; comprehensive; and comprehensible, e.g., via the publication of a non-technical summary report.

4.5.1 Validator's findings

The validator concluded that "this indicator has been partially met", citing CSO concerns that "that the reports were not widely disseminated and openly discussed by a broad range of stakeholders, nor made publicly available in a way that is publicly accessible, comprehensive and comprehensible" (p. 43).

4.5.2 Progress since validation

The Supplementary Note on pp. 13-15 describes the measures taken since validation to improve communications and report dissemination, and to agree actions for the accessibility, comprehensiveness and comprehensibility of the next report. Since early 2011, the Comité de Suivi has started implementing a strategy to reach out progressively to the ten major regions of Cameroon through multi-stakeholder communication teams. Priority was given to oil and mining communities. On 23 February 2011, the Comité organised an awareness-raising workshop in Bertoua, a mining region. Workshops followed in Bétaré Oya (artisanal gold mining) on 18 April 2011, and in Mobilong (diamond mining) on 20 April 2011. A further workshop took place in Limbe in Cameroon's coastal oil region in late April 2011. The Comité intends to regularly train resource persons on the ground who can continue communications with the citizens.

EITI Cameroon has substantially developed its website. It is now very informative, comprehensive and up to date (<http://www.eiticameroun.org>). The intention is to make the website entirely bilingual French-English.

The Comité plans to use the media more and organise workshops with journalists before the publication of each report to ensure they can help dissemination.

EITI Cameroon has also started to work with Cameroon embassies to reach out to the sizeable Diaspora.

4.5.3 Secretariat's assessment

The Secretariat has been able to verify that EITI Cameroon has a viable communications strategy which is being implemented proactively. The outreach activities are designed to be sustainable, centred on the work with regional resource persons. The strategy and mechanisms have the potential to ensure that the next report is publicly accessible, comprehensive and comprehensible.

EITI International Secretariat's assessment is that Cameroon has completed this remedial action and has satisfied Indicator 18.

5 Conclusion

To be advised, subject the deliberations by the EITI Board.

Annex A - EITI Board Decision on Cameroon Validation, 19 October 2010

The EITI Board agreed the following statement:

The Board designates Cameroon as Candidate country as of 19 October.

Based on a thorough assessment of the specific circumstances, Cameroon is considered to be 'close to compliant'.

The Board congratulates the government, companies and civil society organisations in Cameroon for the progress made in implementing the EITI and for completing validation. EITI Cameroon has published three EITI reports. The most recent report for the period 2006–2008 was published on 16 September 2010, several months after the final Validation Report was agreed by the Comité de Suivi.

In all decisions on Validation the Board places a priority on the need for comparable treatment between countries and the need to protect the integrity of the EITI brand. As set out in EITI Policy Note #3, the designation of "close to compliant" applies in cases where the EITI Board considers that a candidate country has not only made meaningful process, but can reasonably be expected to achieve compliance within a very short time.

The validator has found that "implementation of EITI in Cameroon meets the majority of the requirements of the EITI indicators". The validator finds that four indicators are "unmet", with two indicators "partially met" and two indicators where there is insufficient information to reach a conclusion. In reaching this conclusion, the Validator took into account progress on the 2006–2008 report. The Board noted that the validation report does not provide sufficient information for the Board to assess compliance with all of the validation indicators. A number of issues require further information and clarification. The Board agreed that a detailed analysis of the 2006–2008 EITI Report is required in order to clarify the outstanding issues. Specifically, indicators 7, 9, 11, 12, 13, 14, 15, 17 and 18 should be reassessed.

The following issues must be addressed in order to achieve compliance:

1. *The EITI Criteria require regular reporting, and there should be a clear timetable for the publication of the 2009 report*
2. *The Comité de Suivi should agree a clearer definition of materiality, and demonstrate that "all material oil, gas and mining payments to government" and "all material revenues received by governments from oil, gas and mining companies" have been covered in the 2006–2008 report. In particular, the Comité de Suivi should agree an approach for exploration companies. In agreeing a definition of materiality, the Comité de Suivi is encouraged to consider a specific figure that defines a material payment. This definition should be incorporated into the reporting templates for the 2009 report;*
3. *As per the Indicator Assessment Tool for Indicators 12 and 13, the Comité de Suivi should provide additional information demonstrating that all company and all government disclosures to the reconciler for the 2006–2008 are based on audited accounts to international standards;*
4. *The Comité de Suivi should agree a process for how any discrepancies identified in the 2006–2008 report will be addressed, and how this issue will be addressed in the 2009 report;*
5. *The Comité de Suivi should implement agreed actions to ensure that the next report is publicly accessible; comprehensive; and comprehensible, e.g., via the publication of a non-technical summary report.*

When the Comité de Suivi considers that these issues have been addressed, the EITI International Secretariat will reassess Cameroon's compliance. The Secretariat will consult widely with stakeholders during the review. The Comité de Suivi should be given an opportunity to comment on the Secretariat's findings. The Secretariat's review will be a public document - supplementing the Validation Report - thereby ensuring that the basis for the Board's decision regarding compliance is clear to all stakeholders.

The Secretariat should submit its report to the Board via the validation committee. If the Board is satisfied that remaining requirements have been met, the country will be designated as EITI Compliant. In the interim, Cameroon will retain its Candidate status. The Board retains the right to require a new Validation if the remedial steps and Secretariat review are not completed within six months (i.e. 19 April 2011).

Annex B – Stakeholders Consulted

Government

- H.E. M. Philémon Yang, Prime Minister
- H.E. M. Essimi Menye, Minister of Finance, Chairman of the EITI Comité de Suivi
- Direction générale des impôts (DGI, Tax Office)
- Direction générale du trésor, de la coopération financière et monétaire (DGTCFM, Treasury)
- Direction des Mines et de la Géologie, Ministère de l'Industrie, des Mines et du Développement Technologique (Mining Directorate)
- CAPAM (artisan mining support and promotion framework)

Civil Society Organisations

- Publish What You Pay Cameroon (Technical Secretariat)
- Transparency International Cameroon
- Dynamique Mondiale des Jeunes
- Réseau de Lutte Contre la Faim
- Centre pour l'environnement et le Développement
- Agir pour Garantir la Gouvernance Economique et Sociale
- Misereor
- Civil society representatives on the Comité de Suivi

Companies

- Société Nationale des Hydrocarbures (SNH)
- Company representatives on the Comité de Suivi

EITI Cameroon

- The members of the Comité de Suivi (see participant list of meeting on 27 April 2011 in Annex G)
- Ms. Agnès Solange ONDIGUI OWONA, Coordinator Technical Secretariat

International partners

- World Bank Cameroon
- International Monetary Fund Cameroon
- German Cooperation Cameroon
- United National Development Programme Cameroon
- CEMAC

Reconciler

- Mazars Cameroon

Annex C – List of companies in scope of EITI report 2006-2008

(Companies having responded/not responded, cited on p. 28, EITI report 2006-2008; Source: Ministry of Finance, Comité de Suivi)

Entités	Nature des données reçues	Date de réception des tableaux remplis
<u>Compagnies minières</u>		
Geovic Cameroon Plc	Chiffres	05/10/2009
Cimencam	Chiffres	18/01/2010
Ets Rocaglia	Chiffres	21/08/2009
<u>Compagnies pétrolières</u>		
Total E&P	Chiffres et volumes	02/07/2009
Pecten Cameroon	Chiffres et volumes	13/08/2009
Perenco Cameroon et sa filiale Perenco Oil and Gas	Chiffres et volumes	01/10/2009
Euroil Ltd	Chiffres	11/11/2009
Sterling	Chiffres	13/11/2009
Kosmos Energy	Chiffres	11/11/2009
<u>Démembrements de l'Etat</u>		
Société Nationale des Hydrocarbures (SNH)	Chiffres et volumes	13/07/2009
Société Nationale de Raffinage (SONARA)	Volumes	13/01/2010
Ministère des Mines - Sous direction des Hydrocarbures	Chiffres	08/01/2010
Ministère des Mines - Direction des Mines	Chiffres	11/01/2010
Direction Générale des Impôts	Chiffres	06/07/2009
Direction Générale du Trésor et de la Coopération financière et Monétaire	Chiffres	13/01/2010
Banque des Etats de l'Afrique Centrale	Chiffres	20/10/2010

Le tableau suivant résume les entités pour lesquelles nous n'avons pas encore reçues des données à la date de l'élaboration du présent rapport.

Compagnies	Nature des données
<u>Compagnies minières</u>	
African Aura Resources	Chiffres
Sinosteel CAM SA	Chiffres
Cam Iron SA	Chiffres
Mega Uranium Corporation Cameroon Plc	Chiffres
Hydromine Inc	Chiffres
Free Mining Company	Chiffres
<u>Compagnies pétrolières</u>	
Mobil Producing Cameroon / COTCO	Chiffres et volumes
Noble Energy Cameroon Ltd	Chiffres
Addax petroleum Cameroon	Chiffres
Rodeo Development Ltd	Chiffres
Glencore Exploration Cameroon	Chiffres

Annex D – Table detailing the estimated dues of mining companies not reporting

EITI Report 2006–2008: Source: Ministry of Finance/Mining and Geological Department, May 2011



RAPPORT ITIE 2006-2008

SITUATION DES PERMIS DES SOCIETES MINIERES DU CHAMP DE CONCILIATION N'AYANT PAS DECLARE ET ESTIMATION DES PAIEMENTS AFFERENTS

TITULAIRE	NOM DU TITRE	TYPE	SUBSTANCES	DELAI 3 ANS, VALIDITE	Superficie au km ²	DROITS FIXES 2000 tcf/km ² (payable une fois)	REDEVANCE SUPERFICIAIRE (1000 tcf/km ² /an)	REDEVANCE SUPERFICIAIRE Estimation en fonction de la validite du permis pour la periode 2006-2008
1 CAMIRON SA BP 330590 YDE	MBALAM (92)	Permis d'exploration	fer	25/09/05-24/09/08	894	1 788 000	894 000	2 682 000
	MBALAM EST(143)	Permis d'exploration	fer	11/04/08-10/04/11	877,02	1 754 040	877 020	877 020
2 STEELCAM BP 13240 YAOUNDE (societe devenue SIMOSTEEL)	MAMELLES (86)	Permis d'exploration	Fer	14/12/04-13/12/07	418	836 000	418 000	836 000
3 HYDROMINE Inc. BP 571 KRIBI (societe devenue CAMEROON ALUMINA)	NGAOUNDAL (87)	Permis d'exploration	Bauxite	09/03/05-08/03/08	416,16	832 320	416 160	832 320
	MINIM MARTAP (88)	Permis d'exploration	Bauxite	09/03/05-08/03/08	948	1 896 000	948 000	1 896 000
4 NU ENERGY CORP CAM BP 6262 YDE (societe devenue MEGA URANIUM)	POLI (95)	Permis d'exploration	Uranium, or et metaux de base	20/03/06-19/03/09	1 000	2 000 000	1 000 000	3 000 000
	LOLORDORF (98)	Permis d'exploration	Uranium, or et metaux de base	21/06/06-20/06/09	1 000	2 000 000	1 000 000	3 000 000
	TEUBANG (127)	Permis d'exploration	Uranium, or et metaux de base	25/06/07-24/06/10	1 000	2 000 000	1 000 000	2 000 000
	GOUNA (148)	Permis d'exploration	Uranium et substances minerales associees	15/11/07-14/11/10	390	780 000	390 000	390 000



RAPPORT ITIE 2006-2008

SITUATION DES PERMIS DES SOCIETES MINIERES DU CHAMP DE CONCILIATION N'AYANT PAS DECLARE ET ESTIMATION DES PAIEMENTS AFFERENTS

TITULAIRE	NOM DU TITRE	TYPE	SUBSTANCES	DELAI 3 ANS, VALIDITE	Superficie au km ²	DROITS FIXES 2000 tcf/km ² (payable une fois)	REDEVANCE SUPERFICIAIRE (1000 tcf/km ² /an)	REDEVANCE SUPERFICIAIRE Estimation en fonction de la validite du permis pour la periode 2006-2008
4 NU ENERGY CORP CAM BP 6262 YDE (suite) (societe devenue MEGA URANIUM)	SALAKI (149)	Permis d'exploration	Uranium et substances minerales associees	15/11/07-14/11/10	802	1 604 000	802 000	802 000
	VOKO (150)	Permis d'exploration	Uranium et substances minerales associees	15/11/07-14/11/10	351	702 000	351 000	351 000
5 AFRICAN AURA RESOURCES B.P. 14364 Yaounde	REY BOUBA (100)	Permis d'exploration	Or, uranium, metaux de base, MGP	06/04/06-05/04/09	1000	2 000 000	1 000 000	3 000 000
	BATOURI (101)	Permis d'exploration	Or, uranium, metaux de base, MGP	06/04/06-05/04/09	1000	2 000 000	1 000 000	3 000 000
	TCHOLLIRE II (123)	Permis d'exploration	Or, uranium, metaux de base, MGP	25/06/07-24/06/10	991,9	1 983 800	991 900	1 983 800
	TCHOLLIRE (99)	Permis d'exploration	Or, Ag, Cu, uranium, metaux de base, MGP	06/04/06-05/04/09	273	546 000	273 000	819 000
6 FREE MINING BP 152 YDE	MFOUMOU (122)	Permis d'exploration	Rutile et autres subst	15/02/07-14/02/10	1 000	2 000 000	1 000 000	2 000 000
	SELE (130)	Permis d'exploration	Rutile et autres subst	25/06/07-24/06/10	1 000	2 000 000	1 000 000	2 000 000
TOTAL						26 722 160		29 469 140

Annex E – Final report on oil companies not having reported data

EITI Report 2006-2008

EITI CAMEROON 2006-2008 CONCILIATION REPORT COMPLEMENTARY INFORMATON COLLECTION MISSION OF APRIL 19-22, 2011 REPORT

Introduction:

During the last EITI Committee session of April 13, 2011; it was decided that complementary information on the EITI Cameroon report of 2006-2008 be collected from the mining and petroleum Companies that did not declare to the hired independent Conciliator of that period. To this effect a team of four was set up to execute the decision (Cf. annex 1). On April 19 2011, the complementary information collection assignment started in Yaoundé and later on proceeded to Douala.

Realisation:

In Yaoundé, while waiting for the official letter introducing the team to the concerned companies to be signed by the Committee's Chairman, we indulged into the following activities:

- identification and location of the sites of these companies;
- elaboration of a simplified information sheet;
- exploitation of some available telephone and e-mail addresses to make some contacts and forward the simplified information collection sheets to some of the companies.

On April 20th 2011 the letters addressed to the Minister of Industries, Mines and Technological Development (MINIMIDT) and the Executive General Manager of SNH were signed by the Minister of Finance, Committee Chairperson, requesting them to facilitate the team's access to the eleven companies concerned. Their exploitation of these letters was done through the Director of Mines (MINIMIDT) and the Director of Finances (SNH) through a series of phone calls.

The field trip to Douala was only made possible thanks to the close collaboration of the SNH; whose acting General Manager sent faxes to the five Petroleum companies concerned and commissioned the Head of the Representation of SNH in Douala to accompany the team to the various companies (Cf. annex 2).

While in Douala, preparatory working sessions were held with:

- Mr. Celestin NGASSA - Regional Delegation of MINIMIDT;
- Mr. Peter ENGA – Head of SNH Representation in Douala.

With regards to the four companies concerned, we held different working sessions with:

- The Representative of ADDAX Petroleum in Cameroon;
- The Representative of GLENCORE in Cameroon;
- The General Manager and Assistant of COTCO sitting in for Mobil Producing Inc;
- The General Manager of RODDEO (Cf. annex 3).

All with whom we had a cordial and convivial working atmosphere. They all promised to send in their declarations latest Tuesday April 26, 2011 through Mr. KINYUY's e-mail address, due to the fact that they have to contact their various headquarters for information and/or have to work with their various financial departments and accounting firms that do consultancies for them. Noble Energy Cameroon Ltd is in Yaoundé and when contacted we were told their Director was unavoidably out of town.

With regards to mining companies, we did get in touch with African Aura Resources, Sinosteel (by phone) and Cam Iron (by e mail). We were unable to get in touch with Free Mining, Hydromine, and Megauranium.

Concerning the Directorate General of Treasury the extracts of the National Accounts Balance for the period under review were provided to us. Given that they provide information per account

heads and not per taxpayer, it wasn't possible to identify what each company retained within the conciliation paid.

Results

With regards to petroleum companies, only Addax and Rodeo have responded favourably by providing the figures (cf declarations attached). Glencore, and Noble are invoking parent company vetting and clearances to be able to provide the information (cf correspondences attached). COTCO is still awaiting information from Exxon Mobil Head office in Houston.

As concerns mining companies, Cam Iron has not responded to any of the mails sent, Sinosteel has provided the information (declaration attached) and African Aura Resources is yet to do so.

To further our analysis, the information available at the Directorate General of Taxation has been used to complete the table below

Company	Surface Royalties			Flat fees		
	2006	2007	2008	2006	2007	2008
African Aura Resources			5968000		2854000	
Sinosteel Cam SA			1956600			
Cam Iron SA	875520	875520	875520	7325160	2118400	
Mega Uranium Corporation Cameroon Plc						
Hydromine Inc						
Free Mining Company			2000000			
total	875520	875520	10800120	7325160	4972400	0
Mobil Producing Cameroon						
Noble Energy Cameroon Ltd		22770000				
Addax Petroleum Cameroun	948000	1659000	1659000			
Glencore Exploration Cameroon						
Rodeo Development Ltd			352000			
total	948000	24429000	2011000			

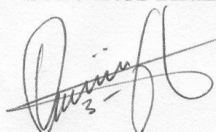
According to available information at the Directorate General of Taxation, Glencore's existence in Cameroon dates back to 2008 but their first payment was done in 2009, while Rodeo got in 2007 and did its first payment in 2008.

When we compare the available information for oil companies that did not respond at the appropriate time, we realise that it has a negligible impact on the overall results as it represents 0.0079% of the total amounts declared by oil companies (that is 27 388 000 at the average exchange rate used in the report gives 56 781 \$ divided by 715 292.64\$).

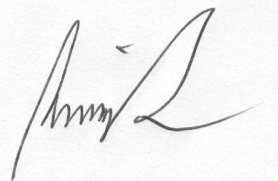
Concerning mining companies, this represents 4.2% of the published information, that is 24 848.72/567 757.79.

In view of this, we submit that the information from these companies might not have had any significant impact on the published information.

SYLVANUS BINLA



JOHN KINYUY



	Note explicative du rapport Mazars Note N° 3	Envoi SNH d'avril 2011	Compléments de données 2011	Observations
❖ MPCI				
• Impôt sur les sociétés	FCFA 14.1 milliards déclaré par la DGI mais pas par MPCCI	RAS	MPCI a déclaré via COTCO les paiements des trois années : \$13.9 millions en 2006, \$13.2 millions en 2007 et \$29.8 millions en 2008	Lors de la rencontre avec les responsables du COTCO à ce sujet, ils ont déclaré avoir remis ces informations au Conciliateur. L'augmentation en 2008 fait suite à l'audit fiscal qui a conduit à un redressement de \$11.6 millions sur le Champs Moudi.
• Dividendes	Ecart de \$14.5 millions correspond aux dividendes versés et non déclaré par MPCCI	RAS	MPCI a déclaré les dividendes payés : \$ 2.08 millions en 2007 et \$12.46 millions en 2008	
• Redevance proportionnel	Prise en compte par la SNH des paiements (\$2.16 millions en 2006 et \$ 401 360 en 2007) à MPCCI non déclarés par MPCCI	Association SNH/PERENCO/MOBIL paiements reçus par MPCCI \$ 2.16 millions en 2006 et \$ 401 355 en 2007		Informations données par SNH en sa qualité d'acquéreur des actifs pétroliers de MPCCI.
❖ GLENCORE				
• Bonus de Signature	Non intégration de bonus de signature du CPP Matanda de \$ 2.5 millions en 2008	RAS	Glencore a déclaré le paiement de ce bonus s'élevant à \$ 2.5 millions en 2008	
❖ Noble Energy				
• Droits fixes	Droits fixes payés directement au Trésor Public.		\$307 338 déclarés par Noble pour la mutation de la concession PH 77 en titre minier en 2008	Payés directement au Trésor Public et comptabilisé dans un rubrique englobant.
• Redevances superficiaires	Declaré par la DGI mais pas par l'entreprise	RAS	\$ 21 250 déclaré par Noble au titre de l'autorisation de recherche en 2007.	

Annex F – Supplementary Note, EITI Comité de Suivi Cameroon, 17 April 2011

Attached

Annex G – Participant list, Meeting of the EITI Comité de Suivi, 27 April 2011

S.E. Essimi Menye, MINFI/President Comite
Tchoffo Jean, SG/MINFI
Boukar Koulsomi, CM/RRC
Faustin Koyasse, BM
Dikongo Maurice, SCTIIE-CEMAC
Sylvanus Binla, Base/Caritas
Koung a Yombi Andre, CEPCA
Ndi Richard Tanto, SeP
Liman Maloum, Membre comite
Kuenzob Dupleix, Dynamique mondiale des jeunes
Yankey Caroline, Dynamique mondiale des jeunes
Sikombe Emmanuel, Membre Comite
Bobiokono Christophe, Membre du Comite
Mouthe Ambassa R., Perenco Cameroon
Ngassa Celestin, MC/DAG
Hon. Dr. Aka AMuam, Membre Comite
Hon. Njocke Abel Calvin, Depute
Kouain Tekam, Membre du Comite
Efoua Mboz'o Anastase, DGA/Geovic
Du Prince Tchakote, FMI
Bateky Edouard, Consultant
Kjimaka Dieudonne, MIPACAM
Nikolo Ayissi Ernest, AGAGES
Bomba Fouda Alphonse, CEMAC
Beyeck Minkala Joel, DGTCFM/MINIFI
Bertrand Mendouga, DGTCFM
Mouop Njikam Ibrahim, Membre comite
Ndoumbe Nkoto Honore, FOCAFE
Dongmo Bernard, PWYP
John Kinyny, DGI
Nkout Marcel Felix, GESSAF
Azantsa Sympharden, CED
Nzobadila Gilbert, CEMAC
Bioule Benjamin, Consultant
Kake Kanga Guy, Membre comite
Prince Mosuzpi, Mayor
Nguini Charles, Transparency Cameroon
Menyengue Sylvie, Secretariat technique ITIE
Mebada Gregoire, Secretariat technique ITIE
Bittiger Tim, Secretariat international ITIE
Kalenga Marie-Ange, Secretariat international ITIE

Annex H – Secretariat’s analysis of the materiality of payments from non-participating companies

Introduction

In Cameroon’s 2006-2008 Report, 11 out of the 22 targeted companies participated. The Comité de Suivi claims that in this report, government had disclosed all revenues, including those of the 11 companies whose data did not enter the report. The Comité de Suivi further claims that “the payments not declared by the non-participating companies were relatively insignificant”. This annex seeks to establish the materiality of the payments from non-participating companies. It has been difficult to establish the veracity of this statement, or whether in some cases neither the company nor the government disclosed the financial stream. The Secretariat has not conducted an audit or reconciliation. Our analysis is based on data provided by the Comité de Suivi to supplement the information in the 2006-2008 report. The Secretariat has not contacted the companies directly to verify the payments, nor contacted the government agencies to verify their receipt.

Background

Comité de Suivi confirmed that only 11 out of the 22 targeted companies participated in the 2006-2008 report. On 13 April 2011, the Comité launched a mission to investigate and collect the missing information among the 11 companies that had not reported (see Supplementary note pp. 5-6). While not reaching every company, through its investigations the Comité made an attempt to demonstrate that overall payments from the non-participating companies were insignificant and that their omission did not materially affect the final EITI reports. Many companies replied, providing a better idea of the payments these companies should have declared. The Comité de Suivi concluded that the payments not declared by the non-participating companies were relatively insignificant (see below).

The Secretariat has further assessed this issue. It is clear that all 11 companies that did not report were in the **exploration phase** (six mining, 4 oil and gas), with the **exception of one oil company**, Mobil Producing Cameroon Inc⁴. The Comité de Suivi and the Reconciler argue that the government had reported all revenues from these companies for the 2006-2008 Report, including the revenues from Mobil Producing.⁵ It is difficult to confirm this fact as the 2006-2008 EITI Report is in aggregated form.

The Comité de Suivi has assessed that the payments by the **six mining companies** were relatively insignificant. The Secretariat understands that the State had disclosed all revenues from these companies (see paragraph above). Annex III of the Supplementary Note shows that mining companies in the exploration phase only make a one-off payment in fixed fees and pay annual surface taxes at Franc CFA 2000 (EUR 3) per km² of concession. A table developed by the Mining and Geology Directorate of the Ministry of Mines, Industry and Technical Development and provided to the Secretariat assessment mission calculated the expected payments based on the size of the concession, putting in perspective what these six companies should have reported in the EITI process (see Annex D). It is important to note that this table is based on expected payments, not actual payments. During the reporting period 2006-2008, the expected payments from the six mining companies was calculated to be Franc CFA 26,722,160 (USD 40,738) in one-off fixed fees, and an estimated Franc CFA 29,469,140 (USD 44,925) in surface fees. Compared to the overall figure of Franc CFA 567,757,790 in mining company payments recorded for 2006-2008 (EITI report p. 16), the percentage of total non-declared payments is 9.01%. Nu Energy Corp was the company with the largest expected payment, amounting to Franc CFA 18,629,000 or just 2.99% of total mining companies reported. Compared to the total of payments of CFA 343,543,077,975 reported from oil and mining companies for the period 2006-2008, the percentage is 0.18% (conversions from USD made at rates provided in EITI Report 2006-2008, p. 14).

The analysis of the payments that should have been reported by the **four oil companies in the exploration phase and one in the production phase** from whom data was received is more challenging. In the 2006-2008 report, no thresholds were set,

⁴ Mobil Producing Cameroon International held two concessions as a non-operating investor with Perenco as operator. It left the country in late 2007 as both concessions (Ebome and Moudi) did not perform as expected. After late 2007, Mobil was represented by COTCO.

⁵ See Supplementary Note to 2006-2008 EITI Report (p. 47 on Mobil), according to which the State provided all declarations, albeit in some instances late, or only after clarifying the respective competencies of the Tax Office and the Treasury.

but the thresholds agreed for the upcoming 2009 report are a useful guide. In the exploration phase, oil companies pay: a) surface taxes, b) signature bonuses, c) training fees and d) fixed fees (see Supplementary Note Annex II). The Comité de Suivi's has set the following thresholds for the 2009 report: a) Franc CFA 6,000,000, b) and c) zero, and d) at Franc CFA 6,000,000 or 250,000,000 depending on the sub-type of specific fixed fees (see Annex III, Supplementary Note).

Oil companies in the production phase (Mobil Producing Cameroon Inc.) – During the evaluation it emerged that Mobil had provided their data to the reconciler in November 2009 but that this data was never included in the 2006-2008 report, it is unclear why. The Comité de Suivi, the Reconciler and SNH confirmed that COTCO had in fact provided data to the reconciler at the time of production of the 2006-2008 report.⁶ In fact, Mobil had collaborated to explain the issue and has again provided the data in question to the mission to collect missing data in April 2011 (see Supplementary Note to EITI Report 2006-2008, letter from ExxonMobil in Annex I and report of the mission to collect missing data in Annex E). The amount is also openly discussed in the resolution of discrepancies in: a) the reconciler's supplementary note to the EITI Report, and b) in the Comité de Suivi's Supplementary Note to the Board. Mobil had readily participated in the 2005 report, and the tax authorities confirm that the company tax payments in question had been received. It is unclear to date why Mobil's data did not make it into the 2006-2008 EITI report. It has been clearly established that the government had reported all revenues from Mobil at the time of reporting.

In the supplementary note to the 2006-2008 report, written in September 2010 to explain discrepancies, the tax authorities confirm that Mobil Producing Cameroon Inc. has paid Franc CFA 14,136,871,060 (around USD 29,308,865) in the period 2006-2008.⁷ The company had also paid dividends (USD 14,500,000) and proportional tax (USD 2,561,360) (see report of the mission to collect missing data). The payments from Mobil that had not entered the 2006-2008 EITI Report amount to USD 46,370,225 and represent 6.44% of all oil and mining payments received.

Oil companies in the exploration phase (Glencore, Noble, Addax, Rodeo) – A major aim of the Secretariat review has been to assess whether data on payments not included in the 2006-2008 report was material or not. The Comité de Suivi has also focused its reply to the draft review on this issue.

In its draft review of 2 August 2011, the Secretariat drew up below table showing all the information on data not reported by companies in the 2006-2008 exercise but collected April – July 2011 and communicated to the Secretariat.

Per Annex II of the Supplementary Note, oil companies in the exploration phase are required to pay four types of tax: 1) surface taxes, 2) signature bonuses, 3) training fees, and 4) fixed fees.

⁶ Mobil was winding down operations and left the country in 2007 with the only point of contact left in Cameroon being COTCO, a caretaker company without access to Mobil's accounts apparently transferred to Houston.

⁷ It is difficult to provide the USD equivalent of this amount as it is cumulative over several years. Using the average exchange rate of the three years 2006, 2007 and 2008 as provided by the reconciler in the 2006-2008 EITI Report (USD 1 : Franc CFA 482.341132), the rough equivalent is USD 29,308,865

Oil companies in the exploration phase that have not disclosed data during the reporting exercise 2006-2008

Overview of collected missing data (as provided to the EITI International Secretariat by the EITI Comité de Suivi Cameroon April – July 2011)

Oil company (exploration)	Surface tax			Signature bonus			Training fees			Fixed fees		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Addax Petroleum Cameroun	1,965*	3,439*	3,439*	?	?	?	?	?	?	?	?	?
Rodeo Development Ltd	Not in country**	No payment due**	730*	?	?	?	?	?	?	?	?	?
Glencore Exploration Cameroon	Not in country**	Not in country**	No payment due**	?	?	2,500,000*	?	?	?	?	?	?
Noble Energy Cameroon Ltd	?	47,207**/21,250** ⁱⁱ	?	?	?	?	?	?	?	?	?	307,338*

*Information from the company

**Information from the State

***Source of information not identified

? The Secretariat has received no information on this item

ⁱ At average exchange rate USD 1 : Franc CFA 482.34444 as per EITI Report 2006-2008ⁱⁱ Two conflicting figures provided to the Secretariat, no conclusion possible

Given the gaps in information at that stage, the Comité de Suivi updated the table as per below and provided explanations in its reply of 31 August 2011.

Annexe n°1. Tableau récapitulatif des données concernant les sociétés pétrolières en phase d'exploration
(Summary table of data concerning oil companies in the exploration phase)

Oil company	Surface tax			Signature Bonus			Fixed fees		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
1. Addax Petroleum Cameroun	1,965	3,439	3,439	does not apply	does not apply	6,219	does not apply	does not apply	does not apply
2. Rodeo Development Ltd	does not apply	does not apply	730	does not apply	does not apply	does not apply	does not apply	does not apply	does not apply
3. Glencore Exploration Cameroon	does not apply	does not apply	does not apply	does not apply	does not apply	5,183	does not apply	does not apply	does not apply
4. Noble Energy Cameroon Ltd	does not apply	21,250	does not apply	does not apply	does not apply	does not apply	does not apply	does not apply	307,338

Note by the Comité de Suivi: Amounts are in US Dollars at the average rate of 1USD=482, 34444 FCFA as determined in the 2006-2008 EITI conciliation report.

The Comité de Suivi also added a second table to its 31 August 2011 reply, showing contracts signed and permits granted to demonstrate when payments were due.

SIGNING OF CONTRACTS.	Granting of Permits.
•ADDAX: 3 RD December 2002 (NGOSSO)	•ADDAX- Decree N°2010/225 of 12 July 2010 (Iroko Block)
3 rd April 2008 (IROKO).	-Decree N° 2011/091 of 1 April 2011 (Assignment of Ngosso)
•RSM : May 2001 (LOGBABA)currently operated by Rodeo	•RODEO- Decree N° 2011/112 of 29 April 2011 (Logbaba Block)
•GLENCORE: 10 th April 2008 (MATANDA)	•GLENCORE- Decree N° 2010/227 of 12 July 2010 (Bolongo Block)
•NOBLE ENERGY: July 2006 Acquisition of the interests of Conocophilips in the PH77 concession	•NOBLE ENERGY-Decree N° 2008/447 of 23 December 2008 (YOYO)

Origin of data – According to the information the Secretariat had received up to closing its draft review of 2 August 2011, the mission of the Comité de Suivi to investigate and collect missing information only received supplementary information from Addax and Rodeo. The Secretariat understood that the Comité de Suivi’s analysis of the two other companies, Glencore and Noble, was based on revenue data which the government provided for the purpose of this mission, in addition to its disclosure of data for the 2006-2008 report, and as shown in the mission’s final report (Annex E); and that the authorities provided data on payments received from Noble to help the mission make its assessment. However, in its reply to the review on 31 August 2011, the Comité de Suivi wrote that “the information contained in the table and the ensuing explanations have been supplied by the companies”.

According to the Comité de Suivi, “Addax paid the surface tax for the Ngosso concession, in 2008, the Iroko contract was signed thereby leading to the payment of the signature bonus. The company has declared no fixed fees for the period under review.” The Comité de Suivi has been able to add to information received by the Secretariat by 2 August 2011, adding the figure of USD 6,219 for a signature bonus paid in 2008.

The Comité de Suivi further writes that “Noble Energy purchased the PH 77 concession after surface rental would have been due for 2006, then in 2008 it applied for a conversion of PH77 concession into a mining license, which application was granted resulting in the payment of the fixed fee for the conversion. There is no signature bonus because no oil contract was signed within this period. Noble declared a surface tax of 21,250\$ in 2007.” During its review, the Secretariat had received two conflicting figures for this surface tax item (USD 21,250, already confirmed in the report by the mission to collect missing data, and USD 47,207).

The Comité de Suivi informs the Secretariat that “Glencore’s existence in Cameroon dates from 2008 when the first oil contract was signed. No fixed fees have been declared by the company.” The report by the mission to collect missing data stated that, the tax authorities confirmed that Glencore only made its first payment for exploration in 2009, outside the reporting period. An update by this mission however mentions a signature bonus of USD 2,5m paid in 2008 (see Annex E). In the reply by the Comité de Suivi to the Secretariat’s review, this figure is reduced to USD 5,183. An explanation for this reduction is not given.

Finally, the Comité de Suivi confirms that “Rodeo only declared the surface tax for 2008 as it got into Cameroon in 2007.”

Materiality of concerned data – In its reply to the draft Secretariat review, the Comité de Suivi writes: “By the way, the analysis of the data in Annex #1 shows that the sums in question which had not been taken into account in the MAZARS report 2006-2008 total less than USD 400,000, or a value of about 169 million FCFA. This amount, put in relation with the revenue that the State has drawn from the oil activity during the period 2006-2008 (close to USD 720 million) is infinitely small.”

Annex I – Letter from ExxonMobil to Mazars-Hart Group of 18 November 2009

Mobil Producing Cameroon, Inc.

B.P. 3738 DOUALA
TEL: 33 43 35 00
Fax : 33 42 95 96

Consortium Mazars- Hart Group
Douala

Douala le 18 novembre 2009

Notre Réf: MPC/01/181109
Votre Réf: Lettre SNH 1379/DG du 04 novembre 2009

Objet: Rapport EITI pour les années 2006, 2007 et 2008

Monsieur le Directeur Général,

Nous avons le plaisir de vous faire parvenir en annexe les informations relatives au rapport EITI pour les années 2006 à 2007.

Cependant nous vous informons que l'information relative à la production du brut vous a été communiquée par l'opérateur Perenco.

Tout en restant à votre entière disposition pour tout renseignement que vous jugerez utile, nous vous prions d'agréer, Monsieur le Directeur Général, l'expression de notre considération distinguée.

Sylvain Douhal Embouyou
19/11/2009

[Signature]
Lindsay Perombelon

Mobil Producing Cameroon Inc. B.P. 3738 DOUALA Tél.: 33.43.35.00 Fax: 33.42.95.96 an ExxonMobil Subsidiary
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CC : - M Adolphe Moudiki – Administrateur Directeur Général
Société Nationale des Hydrocarbures
- Comité EITI Cameroun.

Société Anonyme au Capital de 6 662 000 FCFA - SIEGE SOCIAL 164 Rue Toyota (Rue 1.239) Bonapriso DOUALA