

NATIONAL ASSEMBLY
10th Legislative Period
2024 Legislative Year
2nd Ordinary Session
(June 2024)

REPUBLIC OF CAMEROON
Peace - Work - Fatherland

REPORT
On The Budget Policy Debate
PRESENTED
On behalf of the Committee on Finance and the Budget
By
Honourable NDONGO ETEME Edgard, General Rapporteur

Right Honourable Speaker,
Fellow Members of the National Assembly,

At its sitting of 1 July 2024, the Chairmen’s Conference acknowledged receipt of the Medium Term Budgeting and Economic Planning Paper for the 2025 - 2027 three-year period which forms the basis for the Budget Policy Debate and for preparing the draft State budget for the 2025 financial year and, pursuant to Articles 24 and 50 of the Standing Orders of the National Assembly, entrusted the said Paper to the Committee on Finance and the Budget for a substantive study.

To discharge its task, your Committee met on Wednesday, 3 July 2024.



The Budgeting and Economic Planning Paper was presented by the Minister of Finance in the presence of the Minister Delegate at the Presidency in charge of Relations with the Assemblies.

In her opening statement, the Chairperson on the Committee on Finance and the Budget, began by wishing a warm welcome to the Government Bench and proceeded to point out that, in accordance with the relevant regulation, the Budget Policy Debate offers Government and Parliament the opportunity to exchange views on possible ways of rendering public finances sustainable in the light of strategic government policy guidelines and the budgeting outlook for the next three-year period. On the basis of the 2025-2027 Medium Term Budgeting and Economic Planning Paper, government policies and fiscal measures are predicated on the 2020-2030 National Development Strategy (NDS30) and Government 2021 Economic and Financial Programme with the International Monetary Fund.

Continuing her statement, she stressed that after a careful reading of the Paper, it has become clear that the main challenges that Government has to overcome are, inter alia:

- the issue of increasing power supply and striking a balance in the energy sector;
- the need to reduce the trade deficit by increasing the production of basic commodities in the country;
- the need to rapidly implement development projects by expediting land reforms;
- continuation of efforts to modernise public administration;
- the need for the State to cut its routine expenditure;
- development of mining activity and processing industries;

- the need to significantly increase local production;
- revitalisation of measures to lend support to the import substitution policy and to promote exportation;
- continuation of the decentralisation process;
- better governance;
- equitable access to basic social amenities by the population.

Concluding her statement, the Committee Chairperson expressed the wish for Government to pursue such important policies in order for it to attain its objectives.

Taking the cue to present the Medium Term Budgeting and Economy Planning Paper (BEPP) for the 2025- 2027 three- year period, the Minister of Finance underlined the importance of the content, support measures, challenges as well as prospects for improving the usefulness and the effectiveness of the Budget Policy Debate (BPD). He went on to review the global economic environment that continues to be affected negatively, in the short term, by numerous factors namely, the cost of interest rates on international markets which are still high and the tendency by Central Banks to pursue the measures of tightening monetary policies which have maintained global economic growth, for the first time, below average growth in the last decade.

The Minister opined that, in spite of the adverse global economic environment, the overall objective of Government's fiscal policy is to streamline public finances in accordance with the economic and financial programme with IMF and the priority areas of the 2020-2030 National Development Strategy (NDS30).

The Minister reiterated that to attain that goal, government's fiscal policy will progressively seek to increase non-oil revenue from 13.6% of

GDP in 2024 to 14.4% of GDP in 2027, up from 14% of GDP in 2025 and 14.2% of GDP in 2026.

Efforts will therefore be stepped up to increase non-oil revenue harvested in all the sectors by broadening the tax base and rendering revenue secure.

With respect to spending policy, the Minister posited that, Government will, as a matter of priority, substantially increase capital expenditure in order to properly implement NDS30 and considerably reduce salary backlog by modernising the management of personnel expenditure through the commissioning of SIGIPES II.

Concluding his statement on projections for the State budget during the 2025-2027 budgeting period, the Minister explored the main risks and constraints that could undermine the fiscal policy that Government intends to implement in the next three years.

Talking about revenue projections, the Minister disclosed that the risks involved are concomitantly macroeconomic, institutional and financial.

At the level of expenditure, persistent security concerns, the need by the State to honour its commitments under Public Private Partnership (PPP) as well as grants to ENEO are the main risks looming over the State budget.

It is important to note that the Minister's full presentation before your Committee is appended to the present report.

After looking at the Medium Term Budgeting and Economic and Planning Paper for the 2025-2027 period, your Committee members raised a number of concerns:

A) Growth Projections

Government's projections are based on the assumptions that a 4.1% growth rate would be mainly supported by the non-oil sector.

The same projections indicate that inflation would remain high and stable at 7 % due to the increase in fuel prices and will fall to 4 % in 2025.

On that score, your Committee members sought clarifications on:

- factors that support Government's thinking that growth would pick up again and the rate of inflation will fall amid the very low purchasing power of households;
- measures to be taken by Government to increase the average growth rate per annum to 8 % as stipulated in NDS30. In this wise, your Committee sought to know if such high growth projections by Government were realistic, especially as growth has been stagnating at about 4 % for some years now;
- incidence of the increase in the tax base on the rate of inflation projected for the 2025-2027 three-year period.

B) Revenue

The concerns raised by your Committee members focused on:

- the need to come up with special taxes to discourage speculation over the acquisition of land in major urban centers;
- the actual use of revenue from tollgates on account of the very degraded state of roads;
- the very high customs duties in Cameroon when compared with customs duties in countries at the same level of development as Cameroon;

- reasons for extending the deadline for presenting personal income tax returns;
- the conflict between advertising agencies and councils over the distribution of advertising fees;
- the possibility of having the Road Fund discontinue payments due to accumulation of arrears.

C) General Administration and Finance

Your Committee members pondered on:

- the date earmarked for commissioning the new Integrated System for Computer Management of State Personnel and Salaries (SIGIPES II), a reform process initiated more than a decade ago;
- appraisal of the management of guarantee insurance.

D) Decentralisation

- assurances that Government is really determined to have local government in place amid current delays in the process;
- reasons why the devolution of powers is not commensurate with the transfer of funds the necessity to read the law on decentralization
- the need to have a second reading of the legal instrument governing decentralisation.

E) Production Sector

Your Committee members raised concerns on:

- the Central Plane Project whose first phase would require the provision of 400 000 hectares of farmland in the Adamawa Region;
- measures taken by Government to boost local production of wheat;
- measures to be taken by Government to facilitate access by small-scale farmers to farming inputs;

- the content of the Integrated Agro-pastoral and Fisheries Import-Substitution Plan (PIISAH) and the funds earmarked to boost the production of rice and fish in the country;
- the content of the initial impulse programme (2IP) designed to transform the structure of the economy;
- measures taken to build the capacity of farmers;
- measures to be taken by Government to further encourage youths to take interest in cultivating cocoa by taking advantage of current high cocoa prices;

F) Infrastructure Sector

Your Committee members began by saluting the decision taken by Government to rehabilitate the National Oil Refinery Corporation (SONARA) in the next three-year budgeting period. They also took cognisance of Government's objective to have tarred roads increased from 9885 km in 2023 to 11300 km in 2027.

They were also pleased to note the envisaged construction of the urban section of the Yaounde-Nsimalen Motorway and implementation of the C2D Programme on the development of regional chief-towns.

In the energy sector, your Committee members exhorted Government to pursue the objective of reducing power outages by increasing power supply from 1978 megawatts in 2024 to 2800 megawatts by the end of the 2025-2027 three-year budgeting period.

They however raised concerns on:

- measures taken by Government to actually effect land reforms amid serious difficulties encountered in the process for more than a decade;

- assurances that projects such as the project to build an asphalt plant that has been featuring in Government's investment programme for more than a decade would be completed during the next three-year budgeting period;
- failure to construct bypasses in the main urban centres and to initiate projects to develop the suburbs of cities;
- Government policy objectives in the transportation of energy in view of reducing energy losses during transportation and ipso facto increase power supply to households and industries;
- progress report on the project to constitute a fleet of civil engineering equipment for local councils;
- the fate reserved for the project to construct a deep sea port in Limbe;
- the fact that some priority road projects have not been included in the Budgeting and Economic Planning Paper (BEPP);
- the need to increase potable water supply in all towns in order to meet the ever increasing demand for water;
- status report on projects to construct important hydroelectric dams in the South-West and North-West Regions;
- the need to formulate an expansion plan for our urban centres. In the opinion of your Committee members, it was better for Government to adopt a vertical development model for our cities by encouraging the construction of low-income housing (LIH) units;
- financial mechanisms as well as tools for monitoring and assessing major development projects such as road infrastructure projects and projects to rehabilitate and construct railway lines;
- delays in rehabilitation work on State Roads No.1;
- progress report on the project to rehabilitate and restructure the National Oil Refinery Corporation (SONARA);

- delays in having the Nachtigal Hydroelectric Dam fully commissioned.

G) Health Sector

Your Committee was pleased to note efforts made to upgrade the technical capacity of health facilities in the main urban centres.

They, however, sought clarifications on:

- measures taken by Government to make up for lack of health facilities in the rural areas of our country;
- the need to sustainably implement the universal healthcare delivery scheme which is still remote to the vast majority of Cameroonians after Government has announced the commencement of enrolment thereof.

H) Education Sector

The 42% enrolment rate that Government has projected for secondary general education by 2027 makes it necessary to intensify efforts and provide more school infrastructure at the local level.

Your committee members however raised concerns on:

- measures taken by Government to reduce the rate of school dropout;
- status report on efforts deployed to effect the reform process of rural artisan centres and domestic science (RAC-DS);
- insufficient facilities for higher institutions of learning;
- comprehensive report on measures taken to satisfy demands made by teachers.

I) Other Government Policies

While saluting efforts made to increase the budget allocated to reconstruction of Regions hard hit by the crises, your Committee members opined that the allocated budget is insufficient if one considers that very

little has been rebuilt in those Regions. That is why they urged Government to devise appropriate strategies for development partners to provide more support just as the Islamic Development Bank (IDB) is doing.

They also raised concerns that focused on:

- the rationale for still having special appropriation accounts even though performance remains below the set objective;
- strategies adopted by Government to render public finances sustainable, especially as our country continues to depend on budget support from the International Monetary Fund (IMF);
- progress report on the bill relating to local taxation;
- the need to identify viable projects that will enhance the transformation of the structure of our economy plus expected outcomes in the short and long terms;
- specific objectives for conducting a general population census, housing, agriculture and livestock survey;
- measures to be taken to improve the business climate and attract direct foreign investment (DFI);
- the shortfall in the provision of social amenities to meet the needs of the population amid an ever increasing tax base;
- failure to effectively render 17 (seventy) bank services free as stipulated by the Central African Banking Commission (COBAC);
- the conflict between the Deposits and Savings Fund and some institutions in the banking sector;
- reasons for the low implementation rate of externally funded projects.

Taking the floor to address the concerns of your Committee members, the Minister of Finance was keen to reiterate that the Budget

Policy Debate (BPD) was an ideal occasion for Government to listen and take the recommendations of Parliament into account.

Regarding measures to be taken by Government to increase growth rate per annum to 8% as stipulated in NDS30, the Minister acknowledged that the current growth rate is below the rate projected in NDS30.

Such a situation is attributed to internal and external shocks suffered by Cameroon. That notwithstanding, Government remains optimistic as its projections have remained the same and unchanged by virtue of the ongoing economic recovery. That is why Government is increasingly implementing major infrastructural projects to increase growth and attain the 8% growth rate goal.

Regarding the incidence of the increase in the tax base on the rate of inflation projected for the 2025-2027 three-year period, the Minister disclosed that increasing taxes does not necessarily result in a rise in the rate of inflation, considering that the additional revenue procured in the process is used for investments that are likely to reduce inflation.

Concerning the need to come up with special taxes to discourage speculation over the acquisition of land in major urban centres, the Minister revealed that their concern had already been addressed in previous finance laws.

On the actual use of revenue from tollgates on account of the very degraded state of roads, the Minister was keen to reiterate that in order to optimally secure such revenue, Government has opted for the construction of 14 (fourteen) modern tollgates under public private partnership and reception of works for 7 (seven) of them has already taken place.

However, Government has, for strategic reasons, decided to put an end to such partnership and to continue construction works on the remaining tollgates with its own funds. As a result, Government is obliged to reimburse the funds invested by partners and that is why the commissioning of the tollgates has been delayed.

Concerning the very high customs duties in Cameroon when compared with customs duties in African countries at the same level of development as Cameroon, the Minister posited that the customs duties in force have been fixed in accordance with the price list and the CEMAC Customs Code.

He also made it clear that customs services cannot rely on tax returns presented by taxpayers due to numerous cases of tax fraud in the sector.

Concerning reasons for extending the deadline for presenting personal income tax returns, the Minister reiterated that such a step is generally taken when the decision to exact new taxes is hindered by the combination of human, technical and technological bottlenecks.

He was however satisfied that taxpayers were very pleased with the extension and projections for tax returns which, in the current financial year, are estimated at CFAF 3 milliard.

Addressing the concern on the conflict between advertising agencies and councils over the distribution of advertising fees, the Minister explained that the Ministry of Finance has, in collaboration with the ministry in charge of decentralisation, defined the sphere of competence of advertising agencies and that of councils and Government is keen to make provisions for same in the 2025 Finance Bill.

On the possibility of having the Road Fund discontinue payments due to accumulation of arrears, the Minister made it clear that in order to respect its commitments to service its external debt whose due date is imminent, Government has, in the meantime, frozen the said fund in order to offset the repercussions of defaulting in debt servicing.

Talking about the reform process and the commissioning of the new Integrated System for Computer Management of State Personnel and Salaries (SIGIPES II), the Minister reiterated that as a software application, the aim of SEGIPES II is to modernise and streamline the payroll of the State.

Continuing his statement, the Minister revealed that the new software application will go operational in 2025.

Concluding his statement on this issue, the Minister made it clear that the successful outcome of the reform is attributed to our country's good economic performance.

As concerns the management of guarantee insurance, the Minister reiterated that there is a procedure that project managers have to follow in order to be given insurance guarantee and to access bank loans.

He reiterated that it is for that reason that project managers have to submit their applications to banking institutions that may, after processing their application files, reject their applications or grant them the loans requested after the Ministry of Finance has given its consent to give insurance guarantee based on the viability of the project.

He, however, posited that the National Economic and Financial Committee is currently brainstorming on the possibility of creating an

insurance guarantee fund that will be jointly managed by the public and private sector.

As for reasons why the devolution of powers is not commensurate with the transfer of funds, the Minister averred that Government is determined to transfer funds to regional and local authorities (RLAs).

He added that the transfer of funds, however, hinges on the devolution of powers.

Regarding the progress report on the bill relating to local taxation, the Minister posited that the said bill was drafted jointly by the sectorial ministries concerned and submitted to the highest authority for appraisal and it will be tabled before Parliament subsequently.

Concerning measures to be taken by Government to facilitate access by small-scale farmers to access agricultural inputs and to build the capacity of such farmers, the Minister outlined the series of measures taken, namely:

- the partnership agreement signed between the Ministry of Agriculture and the Ministry of Livestock and with the German Technical Cooperation (GIZ);
- institution of tax and customs measures;
- access to agricultural inputs by small-scale farmers through the Agricultural Research and Development Institute (IRAD).

In the same vein, he saluted the special finance wicket opened for that purpose by two banking establishments due to reluctance by conventional banks to finance agricultural activities on account of fluctuations in the prices of agricultural products.

As for measures to be taken to further encourage youths to take interest in the cultivation of cocoa, the Minister was pleased to note that our cocoa has been labelled and cocoa cultivation in our country has instead of worsening deforestation attracted economic operators to invest in the sector.

He however stressed that since the price for a kilogramme of cocoa is subject to fluctuations, the profitability of cocoa production is hardly guaranteed.

Regarding measures taken by Government to actually effect land reforms, the Minister pointed out that land reforms are a precondition for development.

Continuing his statement, he, however, acknowledged that anthropological, socioeconomic, cultural and historical factors are serious constraints to land reforms. That is why Government is currently brainstorming on the issue in order to address it.

As concerns assurances that an asphalt plant that has been featuring in Government's programme for several years would go operational during the next three-year budgeting period, the Minister said that all the necessary measures will be taken in order to implement such an important project without undue delay.

Regarding projects to construct bypasses in major cities, the Minister made it clear that the aim of such projects is to improve movement in urban centres and so government is already brainstorming on the issue.

On the possibility of implementing projects to develop the suburbs of major cities, the Minister deplored the current situation of squatting in our

cities due to failure to respect town planning standards and the absence of a real policy to develop our cities.

The Minister, however, posited that Government has decided to ensure that all the Regions of our country are developed harmoniously.

With respect to government policies on energy, the Minister reiterated that this sector has three components, namely generation, transportation and distribution.

As far as energy generation is concerned, he posited that even though the Nachtigal Hydroelectric Dam has been commissioned, a study conducted in collaboration with the World Bank has shown that power supply will remain insufficient because of increasing demand and population growth.

It is on the basis of the foregoing that Government has embarked on conducting studies for the construction of the Kikot Dam and to have recourse to alternative energy sources such as solar energy.

All the above will make it possible to scale up power supply in Cameroon.

On the fate reserved for the project to construct a Deep Sea Port in Limbe, the Minister made it clear that owing to multiple contingencies the said project has, so far, not been implemented.

He, however, reassured your Committee members that all the necessary measures will be taken to implement it.

Talking about the failure to include some priority road projects in the Budgeting and Economic Planning Paper in the South-West Region, the Minister pointed out that all projects to construct roads during the 2025

Financial Year would be included in the 2025 Finance Bill now being prepared.

Addressing the concern on the status report on projects to construct important hydroelectric dams in the North-West and South-West Regions, the Minister pointed out that the construction of these dams, like many other projects, is still in the pipeline.

He however pointed out that, power generated from one dam is not exclusively supplied to the area where the dam is found. Conversely, he stressed that power generated is channelled to a common grid for redistribution to the interconnected grid.

As concerns financial mechanisms, tools for monitoring and assessing major development projects, the Minister made it clear that there are three mechanisms, namely own funds, public-private partnerships and loans accorded by development partners in strict respect of stipulations in programmes with IMF.

He also posited that in line with efforts deployed to follow up and assess major developments projects, development partners see to it that contractual deadlines are respected.

Talking about the project to rehabilitate State Road No.1, the Minister made it clear that Government is already holding discussions with the African Development Bank (AfDB) in order to procure the necessary funds for the construction of that 240.85 km long road.

Regarding the status report on the project to rehabilitate and restructure the National Oil Refinery Corporation, the Minister averred that their concern is shared by the Bank of Central African States (BEAC) which has a stake in currency control. Besides, the project to restructure

SONARA was approved by the Head of State and rehabilitation work on the Corporation is near completion.

As for the reconstruction plan for Regions hard hit by crises, the Minister made it clear that thanks to support received from development partners such as the United Nations Development Programme, the Islamic Development Bank, Japan, important progress has been made in reconstructing the Regions.

He also made it clear that the private sector that has been receiving incentives under the reconstruction plan has to contribute its own quota in the reconstruction of the said Regions.

On the importance of still having SAAs in place, the Minister said it was still important to have them. He went on to reassure your Committee members on the relevance of the reform process to be initiated in order to enable SAAs to better accomplish their mission.

As for the strategies adopted by Government to render public finances sustainable amid our country's dependence on the International Monetary Fund for budget support, the Minister outlined a series of measures taken to support the growth projections made such as optimum collection of revenue, broadening of the tax base, rationalising spending and implementing pro-growth projects in our country.

If continued, the Minister averred, such a trend will enable Cameroon to terminate its programme with the IMF.

Concerning specific objectives for conducting the general population census, housing, agriculture and livestock survey, the Minister reiterated that there can be no development policy without the knowledge of a country's population. That is why it is important to conduct such surveys

in order to implement Government's policies according to the estimated population.

On the persistent shortfall in the provision of social amenities to meet the needs of the population amid an ever increasing tax base, the Minister acknowledged that, while carrying out their activities, corporations in charge of providing water and electricity encounter major difficulties to satisfy the ever increasing demand for such utilities.

On the basis of the foregoing, Government will seek to improve the services offered by such corporations (CDE and ENEO) and thus enable them to satisfy the population's demand.

As for measures taken to actually render 17 (seventeen) banking services free in accordance with the stipulations of the Central African Banking Commission (COBAC), the Minister pointed out that his ministry has stepped up surveillance activities in the banking sector and sanctions are meted out for glaring lapses as stipulated by CEMAC regulations.

Addressing the concern on the conflict between the Deposits and Savings Fund and some banking institutions, the Minister reiterated that the Fund is a new institution that is extending its activities progressively, but which is facing problems pertaining to reluctance by some banking institutions which now think that the Fund has come to limit their room for manoeuvre in terms of investment.

On reasons for the low implementation rate of externally funded projects, the Minister revealed that the situation is attributed to a combination of 2 (two) factors, namely low level of project maturity and failure to respect the conditions of donors.

Concerning measures taken to address demands made by teachers, the Minister posited that all instructions received from the President of the Republic have been fully carried out, especially the payment of arrears owed to teachers.

At the end of the general discussion, your Committee made the following recommendations:

I. On the Form

Your Committee was keen to salute, as was the case last year, efforts made by Government to improve the structure of the Budgeting and Economic Planning Paper and to table the Paper within prescribed deadlines.

They however, deplored the absence of an appended report on recommendations made during the 2023 Budget Policy Debate.

II. On the Content

They recommended that:

1. a plan be drawn up to fully implement the import substitution policy for the creation of mechanised production units in order to leverage our country's economic growth;
2. land reforms be completed as a precondition for the proper development of the agricultural sector and to reduce speculation over the acquisition of land;
3. wheat flour be progressively substituted by flour from locally produced crops such as cassava and maize;
4. the exploitation of mineral, gas, and oil deposits be accelerated to forestall their depreciation due to preference to alternative products;

5. franking machines be provided to the 360 councils to better collect and secure revenue;
6. a second reading of some provisions of the General Code on Regional and Local Authorities, especially the provision pertaining to the transfer of 15 % of the State budget to RLAs is necessary in order to clearly state the nature of funds to be thus transferred;
7. projections made in the Budgeting and Economy Planning Paper, precisely revenue projections from the exportation of timber logs as per the new forest and wildlife legislation which, pursuant to Section 97, totally prohibits exports of timber logs need to be harmonised once the said law enters into force;
8. feasibility studies on the project to construct a deep sea port in Limbe and the project to construct hydroelectric dams in the North-West and South-West Regions be accelerated;
9. SONARA be rehabilitated and restructured in order to reduce the volume of petroleum products imported, especially as such imports engender inflation in our country's markets;
10. a civil engineering fleet of equipment be constituted at regional and divisional levels in order to carry out important public works;
11. bypasses be mainstreamed in the implementation of the C2D Programme on the development of regional chief-towns;
12. policies on the generation and transportation of energy need to be implemented concomitantly in order to reduce the duration of providing electricity supply to households and industries;
13. government's strategic policy guidelines be fully implemented by all the ministries and public services concerned in order to transform the structure of our economy;

14. the project to construct an asphalt plant to produce tar in the country be implemented;
15. a plan for the expansion of major cities to the suburbs be drawn up by proposing that a vertical architectural construction in such major cities be adopted;
16. the budget allocated for the implementation of the Presidential Plan for the Reconstruction of the Far-North, North-West, South- West Regions be increased;
17. the 2025-2027 three-year programme be consistent with policy guidelines of the 2020-2030 National Development Strategy (NDS30);
18. the universal health care delivery scheme be actually extended to other Regions of the country;
19. implementation of the economic and financial programme with the International Monetary Fund be pursued by devising strategies to streamline and improve the sustainability of public finances at the end of the Programme;
20. other turbines of the Nachtigal Hydroelectric Dam be effectively commissioned within the deadline stipulated by the enterprise;
21. access to agricultural inputs by farmers be facilitated to enable them to produce in bulk;
22. the technical capacity of hospital facilities be upgraded in remote areas as well;
23. construction of university buildings to house newly created State universities;
24. procedures for the collection of non-tax revenue be computerised and sustained;

25. the general population and housing census as well as a general agricultural and livestock survey be conducted in order to create a relevant and an updated database that will be used to make projections and to formulate government policy guidelines;
26. the process to restructure RAC/DS as trade centres be pursued in order to provide training to a segment of youths who have dropped out from school.

Having come to end of their discussion, members of your Committee on Finance and the Budget now pray the entire House Chamber to kindly endorse their recommendations.