REPUBLIC OF CAMEROON **NATIONAL ASSEMBLY**

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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 3 July 2023, the Chairmen's Conference acknowledged receipt, from Government, of the Medium Term Budgeting and Economic Planning Paper for the 2024-2026 three-year period which forms the basis for the Budget Policy Debate and for preparing the draft State budget for the 2024 financial year and, pursuant to Articles 24 and 50 of the Standing Orders of the National Assembly, entrusted the Paper to the Committee on Finance and the Budget for a substantive study.

To discharge its task, your Committee met on Tuesday, 4 July 2023.

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

In her opening statement, the Chairperson of the Committee on Finance and the Budget underlined, after respecting the rules of protocol, the importance and stressed the need of scrutinising the Medium-Term Budgeting and Economic Planning Paper for the 2024-2026 three-year period.

The scrutiny of the Budget and Economic Planning Paper would make it possible to tailor government policy priorities according to our country's real development needs, improve the living conditions of Cameroonians and see to it that Government action is predicated on its policy priorities.

Continuing her statement, she reiterated that the economic, financial, political and social environment remains unstable as it is characterised by the Russo-Ukrainian conflict which still persists and its impact on some consumer goods.

The said environment is also characterised by economic sanctions against Russia with their adverse effects on the global financial system, commerce and trade.

She also averred that in spite of the difficult environment, it is important to note that the Government would have to demonstrate real political will and determination to cope with the following challenges:

- significant increase in local production;

- structural transformation of the economy for industrialisation purposes;
- revitalisation of the support mechanism to the import-substitution policy and promotion of exports;
- the need to enhance social cohesion and decentralisation by switching from administrative decentralisation to decentralisation per se;
- the need to render the reconstruction plans for the Far North, North-West and South-West Regions operational;
- the need to pursue the implementation of Cameroon’s Economic and Financial Programme (EFP) with the International Monetary Fund (IMF);
- implementation of a proactive education policy on our country’s development priorities;
- implementation of a policy option that strikes a balance between access to health facilities in rural areas and in urban centres.

Concluding her statement, she urged Government to pursue the implementation of the aforementioned projects in order to really pave the way for our country to become an emerging economy and to be socially stable.

Taking the cue from the Committee Chair to present the guidelines of the Medium-Term Budgeting and Economic Planning Paper (BEPP) for the 2024- 2026 three-year period, the Minister of Finance briefed your Committee on the content, contributions, challenges as well as prospects for improving the usefulness and effectiveness of the Budget Policy Debate (BPD).

He went on to review the current economic environment impacted strongly by the Russo-Ukrainian conflict which has disrupted supply and caused inflation to reach multi-decade highs.

In spite of the difficult environment, the Minister of Finance, however, revealed that Government's objective in the domain of public finances during the 2024-2026 three year period is to ensure that its fiscal policy is compatible with the objectives of NDS 30.

To that end, the aim of its fiscal policy in terms of revenue collection is to progressively increase internal non-oil revenue collection over the next three years in order to better carry out priority government expenditure.

Regarding the policy option for expenditure, Government would pursue the reforms process to rationalise its expenditure by prioritising expenditure and carrying out expenditure efficiently.

Before concluding his statement on State budget projections during the 2024-2026 three-year period, the Minister of Finance identified the main risks and constraints to the fiscal policy that Government intends to implement during the 2024-2026 three-year period.

Such risks and constraints could stem from the macro-economic environment, new tax and non- tax measures and the extent to which they are effective and efficient, the success rate of measures to rationalise and control expenditure, the capacity of the domestic financial market to meet the financing needs of the State and provision of budget support by external partners.

It is worthy to note that the entirety of the Minister's presentation has been appended to this report.

After the Minister's presentation of the guidelines of the Medium-Term Budgeting and Economic Planning Paper (BEPP) for the 2024-2026 three-year period, your Committee members raised a number of concerns;

1. **On the Form**:

Your Committee members, once again, deplored the belated submission of the Paper under review. The time allocated for its scrutiny is grossly insufficient and does not give the opportunity to Members of Parliament to assimilate the content of the Paper and to really impact the orientation of public policies.

In this connection, they exhorted Government to do better and thus enable Parliament to fully play its role in that respect as stipulated in the Financial Regime of the State. According to your Committee members, the role of Parliament could be enhanced if the duration of the parliamentary sessions of June and November is increased on account of the magnitude of the task to be accomplished.

2. **On the Content of BEPP**:

   a) Revenue

The Committee on Finance and the Budget began by saluting the recent institution of regulations of the Economic and Monetary Community of Central African States (CEMAC) on the obligation to repatriate export proceeds which could beef up foreign currency stocks of State Parties.

In this wise, your Committee sought to know:

- the amount of export earnings repatriated and their impact on the country's growth;

  Thereafter, it sought clarifications on:

- the new strategy to be adopted by Government with respect to broadening the tax base, especially as concerns the need to switch from the informal sector to the formal sector due to ambivalent results obtained so far;
- the fact that the determination of the State to encourage operators in the informal sector to switch to the formal sector is inconsistent with its policy option to increase the tax rate. In the opinion of your Committee members, the current tax rate and the one provided for in the Paper under review accounts for the expansion of the informal sector;
- the implementation of the Deposits and Savings Fund;
- the need to effectively fix a ceiling on taxes to be collected by public entities;
- reasons for not depositing revenue procured from petroleum and mining into the Public Treasury;
- fluctuations that could result from readjusting fuel prices at the pump;
- dividends actually paid to the State by corporations in which the State owns shares.

b) Expenditure

The Committee pondered on:

- Government's personnel expenditure increase by 69 billion CFA francs and by 68.1 billion CFA francs between 2025 and 2026;
- if personnel expenditure would ultimately be sustainable, considering that the said expenditure keeps increasing because few workers are actually retired and giving workers an extension has become the norm;

- the strategy to be adopted by Government to endow Regional and Local Authorities (RLAs) with the personnel that would be necessary for the local public service to go operational. According to your Committee members, recruiting the said personnel would, unlike the transfer of State employees to RLAs, increase the expenditure outlays of Councils and Regions;
- briefing on the implementation of the Computer System for the Integrated Management of State Personnel and Payroll II (SIGIPES II);
- the rationale for transferring funds and giving grants to some public enterprises in disregard of their dismal performance in their respective sectors;
- reasons for still carrying out COVID-19 test at airports and, consequently, increasing travelling cost even though restrictions associated with COVID-19 have been lifted by the World Health Organisation (W.H.O).

c) Indebtedness

The Committee was keen to note that Government has seemingly adopted a budget deficit policy with attendant indebtedness.

In this wise, your Committee wanted clarifications on:

- the long term sustainability of such a development option in our country;

d) Production

Your Committee members expressed the wish to have clarifications on:

- the role of Regional and Local Authorities (RLAs) in the general survey on agriculture and livestock provided for in the budget for some years now owing to failure to provide guidance to farmers and pastoralists, the absence of crop monitors and chiefs of agric posts on the field;
- local products prioritized by the import- substitution policy during the 2024-2026 three-year period;
- import-substitution policy assessment, so far, and measures taken by government to remove impediments to high production by promoting import-substitution for consumer goods;
- funding sources for the fund to revive local production;
- measures to be taken by Government to protect minors and the environment while exploiting mineral resources;
- the pressing need to effectively exploit mineral resources given that economies of the North are developing alternative resources that are likely to undermine the economic value of our mineral reserves.

e) **Policies and other Public Authorities**

The Committee was keen to deplore the failure to coherently plan projects and programmes in the different sectors. It equally decried recurrent cases of poorly implemented public investment projects, specifically because the projects had not reached the maturity phase, limited technical and financial capabilities of enterprises, belated down payments and dismal performance of externally funded projects.

The Committee however pondered on:

- rate of implementation of the Law governing public enterprises;
- measures to be taken by Government to reverse the situation of recurrent complaints concerning poorly implemented public investment projects;
- the relevance of reviewing the legal framework for public private partnerships (PPP) amid the limited number of projects under the said framework;
- measures to be taken by Government to translate living together and national integration into reality in social sectors like education, culture and regional development;
- delays in the implementation of the Universal Healthcare Delivery (UHD) and its content. To this end, your Committee members sought to know the financial contribution made by Government in that respect, that to be made by the populace, equalization mechanisms and the bond of solidarity between the rich and the poor;
- solutions to be adopted by Government in order to check growing insecurity in cities and rural areas despite the funds earmarked;
- action to be taken to finalise the implementation of reconstruction plans for crises rocked Regions;
- the process of recapitalising the National Financial Credit (NFC) Bank and Union Bank of Cameroon (UBC);
- the GLENCO Affair and clarifications thereof in order to enhance transparency and better fight corruption;
- progress report on the project to construct the Limbe Deep Sea Port;
- the existence of a recruitment plan in the public service;

Thereafter, the Committee was keen to deplore the high rate of school dropouts in secondary education. To this end, your Committee sought to know:

- measures taken by government to provide guidance to youths who do not attend school formally;
- reasons adduced for delays between decrees signed to create technical colleges and actually having them go operational.

Before rounding off, the Committee sought to have clarifications on:

- the appropriateness of installing automatic toll gates on State Road No.3 at a time when the Yaounde-Douala Motorway is under construction;
- the exact cost of maintenance work on State Road No.3, Yaounde-Douala, and the company in charge of maintenance work on the said road;
- the implementation of the plan to rehabilitate and restructure SONARA.

Addressing the concerns of your Committee members, the Minister of Finance began by providing clarifications on the presentation of the Paper and the organisation of the Budget Policy Debate (BPD).

In this wise, he opined that in order to achieve set objectives, Parliament and Government need to hold discussions in order to devise a better strategy to improve efficiency.

As for the current duration of parliamentary sessions, he acknowledged that the time allotted for matters submitted to Parliament is relatively short, especially as the advent of BPD has transformed the June Parliamentary Session into a parliamentary session as intensive as the November Budget Session devoted to the scrutiny of the Finance Law.

He also went to provide general clarifications on uncertainties harboured by Committees members concerning the proper execution of the projected 2024 to 2026 Three-Year Plan.

In this regard, the Minister revealed that their uncertainties go beyond what is provided for in the Paper under review. Servicing our country's external debt which has reached the threshold of 240 billion CFA francs in the month of June is, inter alia, a case in point.

In the same vein, he was keen to shed light on the imminent termination of Cameroon's Economic and Financial Programme (EFP) with the IMF-a situation that will lead to the termination of budget support from the IMF and the need to explore alternative sources of funding.

In this respect, Government will, inter alia, rationalise public spending or reduce its recurrent budget, he concluded.

As for the existence of a recruitment plan in the public service, the Minister reassured your Committee members by positing that there is a recruitment plan which takes into account the precautionary ratio which puts the wage bill below 35% vis-à-vis tax revenue and since the ratio is presently 33%, the wage bill is, therefore, sustainable.

Regarding the fact that fluctuations could lead to the readjustment of fuel prices at the pump, the Minister opined that an increase in the price per barrel of oil on the international market does not automatically result in an increase of fuel prices at the pump in the country.

To this end, he revealed that the recent increase in the prices of hydrocarbon products was warranted by the need to reduce State subventions, especially as the subventions impacted other State expenditures negatively.

As for the repatriation of export proceeds, the Minister began by reiterating that such repatriation was deemed necessary in order to revamp our foreign reserves with the support of the Bank of Central African States (BEAC). The foreign exchange reserves of all the countries in the sub-region can at least cover the cost of importation for four months and six months for the foreign exchange reserves of Cameroon, in particular.

As for whether expenditure on personnel would ultimately be sustainable, the Minister revealed that the increase in the wage bill is partly justified because the instructions of the Head of State concerning the payment of the salary backlog to teachers and plans to satisfy the demands of health workers were taken into account.

Besides, there is no problem concerning the sustainability of personnel expenditure since its increase is commensurate with the increase in tax revenue.

Talking about effectively having the local public service in place, the Minister posited that the said local public service will be created progressively. He further stressed that the funds transferred to Regional and Local Authorities (RLAs) are a function of the powers devolved unto them.

He also opined that the State has employees whose competence would be beneficial to RLAs and so transferring State personnel to RLAs will be more beneficial and less costly than recruiting personnel for RLAs.

As concerns the implementation of the Computer System for the Integrated Management of State Personnel and Payroll II (SIGIPES II), the Minister reiterated that the objective of developing SIGIPES II is to modernise and streamline the payroll of State employees.

Continuing his statement, he pointed out that studies are being finalised in order to start using SIGIPES II by the beginning of 2024.

Concerning the transfer of funds and giving grants to some enterprises, especially ENEO, the Minister revealed that such grants are given to increase energy supply through production, transportation and distribution.

Besides, in order to streamline this sector of activities, Government is planning to conduct an audit in order to determine the debts that are due to various stakeholders.

As for enterprises undergoing a restructuring process, the Minister pointed out that the technical committee for the rehabilitation of enterprises in the public and semi-public sector has an updated plan designed to upgrade and restructure public enterprises that are bankrupt.

With regard to the actual payment of dividends to the State by the companies in which the State owns shares, the Minister explained that, generally speaking, the State's shareholding policy exposes it to increased budgetary risks, due to the dismal performance of the companies concerned.

However, some of these companies, such as the Douala Port Authority and some banks, pay dividends to the State.

In addition, following the Covid-19 pandemic, the Central Bank took steps to suspend the payment of dividends in order to allow these institutions to reconstitute their equity capital.

With regard to the long-term sustainability of budget deficit, the Member of Government said that the deficit stood at 1% of GDP, below the CEMAC community ratio set at 3%. Consequently, the budget deficit remains sustainable.

He also pointed out that development requires debt; no country can develop itself from its own revenues-whence the need to finance pro-growth projects.

As for the delays in the implementation of the Universal Healthcare Delivery (UHD) and its content, the Minister disclosed that it would be gradually implemented.

He also revealed that studies are underway to determine how this health policy, which requires substantial financial resources, will be financed and implemented.

Concerning the continued relevance of Covid-19 tests carried out at our airports, the Minister noted that following the lifting of health restrictions by the World Health Organisation (WHO), these tests have logically ceased to be a requirement in recent days.

Regarding the high rate of school drop-outs in secondary education, the Minister posited that one of the options taken by the Government to limit, or even curb this phenomenon, was to professionalise teaching, which is the ideal way of facilitating the socio-professional integration of learners.

With respect to the reasons for significant delays between the signing of decrees to create technical institutions and actually having them go operational, the Minister explained that the construction of a technical institution requires significant funding, particularly because of the acquisition of equipment, which remains expensive.

As for the solutions envisaged by Government to contain the growing insecurity in our towns and rural areas, the Minister pointed out that there is no such thing as zero risk when it comes to security.

However, the Head of State has recommended measures with a view to acquiring new equipment bolster defence and security forces and consolidate the "army-nation" link.

Referring to the apparent contradiction between the State's desire to have economic operators switch from the informal sector to the formal sector and its policy option of increasing tax rate, the Minister said that the aim of raising this rate was not to levy more taxes on companies that were already paying taxes, but rather to broaden the tax base towards companies that generate significant turnover while remaining in the informal sector.

Speaking about the measures that the government plans to take to protect minors and the environment while exploiting mining resources, the Minister pointed out that, as a member of the Extractive Industries Transparency Initiative (EITI), our country is subject to a series of commitments pertaining to the sustainable management of the environment.

He added that public opinion and non-governmental organisations (NGOs) must ensure the transparent management of revenues from the exploitation of these resources.

As regards clarifications on the "GLENCORE Affair", the Minister noted that an audit report had been drafted and instructions were still awaited.

Concerning the recapitalisation of the National Financial Credit (NFC) and the Union Bank of Cameroon (UBC), the Minister averred the aim of the recapitalisation is to restructure the said banks under the supervision of the Central African Banking Commission (COBAC). As the former did not meet the required conditions, its shares are fully owned by the State. As for the latter, its shares are co-owned equally with a State entity.

In any case, the aim is to have banks that do business and make a profit.

With regard to the progress report on the project to build the Limbe Deep Seaport, the Minister noted that despite the change in the initial site for its implementation, feasibility studies are continuing at governmental level.

Concerning the need to exploit our mining resources, the Minister pointed out that the exploitation of mineral deposits depends on a prior assessment of their potential profitability, given the high cost of investment, which is not within the reach of local entrepreneurs.

On the advisability of installing automatic toll gates on State Road No.3, Yaounde-Douala, the Minister explained that these projects are intended to modernise road infrastructure and safeguard the income generated.

The pilot phase of this project will give priority to tollgates on highly profitable roads.

Regarding the existence of a deadline for the implementation of the plan to rehabilitate and restructure the National Refinery Company

(SONARA), the Minister averred that there is a specific schedule which is being rigorously followed.

He also revealed that an escrow account had been opened to clear SONARA's debt.

On fixing a ceiling on taxes to be effectively collected by certain public entities, the Minister posited that there is indeed a threshold beyond which the entities concerned must pay the surplus back to the Treasury.

With regard to the transfer of oil revenues collected by National Hydrocarbons Corporation (NHC) directly from the Treasury, the Minister pointed out that the transferable balances resulting from the prior deduction of direct interventions by NHC from the revenues collected are transferred to the Treasury.

Moreover, if necessary, NHC may be called upon to increase the amount of the said balance.

At the end of deliberations, the Finance and the Budget Committee formulated the following recommendations on:

FORM OF DOB:

1- the presentation of the Budgeting and Economic Planning Paper should be in keeping with the provisions of Law Relating to the Financial Regime of the State and other Public Entities;
2- continuous assessment of the progress made by Government in implementing recommendations formulated by the National Assembly at the end of every Budget Policy Debate and a report on difficulties encountered while implementing them;

CONTENT OF DOB :

3- increase the number of agro-pastoral production areas and equipping them in order to assist youths in creating modern agricultural and aquacultural units;
4- accelerate the import-substitution policy by allocating a significant amount of funds for the mass production of consumer goods like wheat, rice, tea and palm oil;
5- speed up the process of implementing the policy on universal healthcare delivery (UHD);
6- effectively support local and regional authorities in the introduction of local taxation system in a bid to render them financially autonomous;
7- provide local councils with franking machines to secure stamp duties;
8- properly manage grants allocated to certain public institutions and companies with dismal performance and cap funds allocated for the functioning of those that perform well in a bid to properly manage the State budget;
9- accelerate the implementation of the industrialisation master plan via a formal programme for exploiting mining, gas and oil resources;
10- continue to professionalise general education by creating more vocational and technical colleges, and introduce interesting vocational training programmes for youths who have dropped out of school;
11- transfer State operational human resources to local and regional authorities in order to see to it that a local civil service is effectively in place;

12- finalise the development of the Computer System for Integrated Management of Personnel and Payroll of the second generation (SIGIPES II) for a better management;
13- issues pertaining to living together and national integration should be carefully considered when preparing the budget of ministries in social sectors like education, culture and regional development;
14- rehabilitate and maintain certain roads on account of their economic importance;
15- accelerate feasibility studies for the construction of the Limbe Deep Seaport;
16- the need to gradually raise the tax burden over a period of three years, that is, 2024-2026, considering its importance in generating significant revenues like countries which are on the same level of development;
17- connecting various administrative services to digital technology in order to improve their performance and enable a number of operators in the informal sector to switch to the formal sector;
18- simplify administrative procedures as a key factor in generating income;
19- continued assessment on improving property tax revenue and digitizing overall cadastral procedures;
20- come up with a plan to finance and support the activities of companies in the timber sector, especially those involved in local processing as a strategy to ban log exports;
21- source funding for the completion of construction of low-cost housing units;
22- the need to introduce standard invoice to reduce VAT fraud;

23- take necessary measures to ensure that revenues from mining resources effectively benefit local communities and contribute to developing the national economy;
24- the need to insure state property, especially service cars;
25- devolve powers to local and regional authorities (LRAs) for the collection of certain taxes, especially advertisement royalties and land tax ;
26- transfer qualified accounting staff to local and regional authorities (LRAs).

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