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

REPUBLIC OF CAMEROON
Peace - Work - Fatherland

No. 102/R/AN/10

REPORT

On Bill No. 2060/PJL/AN to ratify Ordinance No. 2024/1 of 20 June 2024 to Amend and Supplement some Provisions of Law No.2023/19 of 19 December 2023: Finance Law of the Republic of Cameroon for the 2024 Financial Year

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,

During its sitting of Saturday, 6 July 2024, the Chairmen's Conference deemed admissible Bill No. 2060/PJL/AN: to ratify Ordinance No. 2024/1 of 20 June 2024 to Amend and Supplement some Provisions of Law No. 2023/19 of 19 December 2023: Finance Law of the Republic of Cameroon for the 2024 Financial Year and, pursuant to the provisions of Articles 24 and 38 of the Standing Orders of the National Assembly, entrusted the said bill to the Committee on Finance and the Budget for a substantive study.

To discharge its task, your Committee on Finance and the Budget met on Sunday, 7 July 2024.

The Bill was defended 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 began by wishing a warm welcome to members of Government.

She went on to salute the tabling of the bill under scrutiny which emphasises the dynamic nature of the finance law and shows Government's determination to uphold the principles of sincerity and transparency in budgeting, granted that all situations pertaining to revenue collection and expenditure cannot be known in advance.

Thereafter, she pointed out that the ordinance now tabled before Parliament has substantially amended the general budget which has been increased from CFAF 6 740.1 billion to CFAF 7 278.1 billion, representing an increase of CFAF 538 billion in absolute terms and 8% in relative terms.

She also revealed that the ordinance under scrutiny amends and supplements some provisions of the Initial Finance Law (IFL) and adds new Sections in the 2024 Finance Law.

Concluding her statement, she wondered if, going by recurrent prospects for amended finance laws, it was still relevant to make budget estimates and projections in finance bills.

It emerged from the explanatory statement that pursuant to the provision of Sections Eighty-six, Eighty-seven and Eighty-eight of the 2024 Finance Law, the President of the Republic signed Ordinance No. 2024/1 of 20 June 2024 to amend and supplement some provisions of Law No. 2023/19 of 19 December 2023: Finance Law of the Republic of Cameroon for the 2024 financial year.

The ordinance comes in the wake of adjustments to major components of public fiscal balance, as a result of trends in the economic situation, the introduction of new measures substantially affecting the execution of the 2024 budget as well as increase in revenue levels in relation to initial projections.

Regarding recent economic developments, it is worth noting that in 2023 Cameroon experienced a downturn in economic activity and persistent inflationary pressures. Economic growth dropped to 3.3% as against 3.6% in 2022, owing to a sharp decline in oil sector activities. Inflation was 7.4% as against 6.3% in 2022. Cameroon's economic performance in 2023 and, most especially, the sharp drop in oil sector activities, which is expected to worsen in 2024, led to the requisite review **of the 2024 growth rate to 4.1% as against 4.5% in the Initial Finance Law (IFL), representing a 0.4 point drop.**

The 4% inflation rate projection in the IFL was also increased to 7% to reflect persistent inflationary pressures in 2023 and the recent adjustment in fuel pump prices.

Besides these macroeconomic indicators, it was necessary to take into account a number of non-cyclical factors, namely the increase of the salaries of State employees, the liberalisation of hydrocarbons importation and the capping of treasury advances at 15 billion per quarter, as decided during the sixth review of the Economic and Financial Programme with the IMF.

In view of these developments, the ordinance signed on 20 June 2024 maintains the budget deficit at 0.4% of GDP as in the IFL, **increases the State budget to 7 278.1** billion**,** 7 212.5 billion of which was earmarked for the general budget and 65.6 billion for Special Appropriation Accounts (SAAs) **as against 6 740.1** billion **in the 2024 IFL. This represents an increase of 538** billion **in absolute terms and 8% in relative terms.**

Domestic revenue is estimated at **5 235 billion,** as against 5 190.1 billion in the IFL. Overall, it has increased by 45 billion, or 0.9% due to an increase in tax revenue (+15.7 billion), non-tax revenue (+15.5 billion) and customs revenue (+14.7 billion) as well as grants (+7 billion). Oil revenue, on the other hand, has dropped by 7.9 billion due to the above mentioned decline and the reduction in world prices per barrel of oil.

Total budget expenditure (excluding debt principal amortisation) has increased by 53 billion and now amounts to 4 960.1 billion as against 4 907.1 billion (+1.1%) in the IFL, broken down as follows:

- <u>personal expenditure:</u> **1 487.8** billion as against 1 428.3 billion in the IFL, representing an increase of 59.5 billion (+4.2), due to an increase in salaries (+48 billion) and family allowances (+11.5 billion);

- <u>expenditure on goods and services:</u> **921.8** billion as against 1003.7 billion in the IFL, showing an 81.5 billion (-8.1%) reduction;
- <u>transfers and subsidies:</u> **1096.4** billion as against 973.4 billion in the IFL, that is a 123 billion (+12.6%) increase;
- <u>equity investment:</u> **716.8** billion as against 640.8 billion (+11.9%);
- <u>externally-financed investment:</u> **703.3** billion as against 831.3 billion in the IFL, representing a 124 billion reduction;
- <u>interest on debt:</u> **320.1** billion as in the IFL.

The expenditure cap for the Special Fund for the Reconstruction and Development of the Far-North, North-West and South-West Regions has been increased from 30 to 35 billion, by taking into account additional financial support from partners, including Japan (+0.6 billion) and the Islamic Development Bank (+4.4 billion).

A comparison between the adjusted revenue and expenditure shows an **overall budget deficit of 137.9** billion **as against 125.4** billion **in the IFL, representing a 12.5** billion **increase.**

Besides the budget deficit, the State has to meet other financial needs. These include: **(i)** amortisation of structured debt (1 295.5 billion); **(ii)** VAT refund (84 billion); **(iii)** arrears including structured ASF debt (537 billion); and **(iv)** net outflow of funds from correspondent lender (19.7 billion).

In total, the State's financing need in 2024 is estimated at 2070.1 billion **as against 1 577.7** billion **in the IFL, representing a 512.4** billion **increase.**

To meet these financing need, the State will use the following resources**: (a)** project loans (783.2 billion as against 907.2 billion in the

IFL); **(b)** budget support (235 billion as against 134 billion in the IFL); **(c)** exceptional financing from donors (165.6 billion as against 22.1 in the IFL); **(d)** issuance of government securities (280 billion as against 375 billion in the IFL); and **(e)** bank financing (522.4 billion as against 55.4 billion in the IFL).

This bill is tabled pursuant to the provisions of Section Eighty-nine of the above mentioned Law No. 2023/19 of 19 December 2023, which stipulates that **"the ordinances referred to in Sections Eighty-six, eighty-seven and Eighty-eight above shall be tabled before the Bureaux of the National Assembly and the Senate for ratification at the parliamentary session following their publication".**

Ratifying this bill will give force of law to Ordinance No. 2024/1 of 20 June 2024 as provided for in Article 28 of the Constitution.

Taking the floor to furnish additional explanations, the Minister reiterated that the Ordinance signed by the Head of State on 20 June 2024 and tabled before Parliament for ratification derives its legal basis from Sections 96 to 98 of the 2024 Initial Finance Law which authorises the Head of State to have recourse to an ordinance to amend some provisions of the 2024 Finance Law in order to meet the country's economic, social and cultural development needs by enabling the country to effect structural reforms agreed with international finance institutions.

He reiterated that such flexibility makes it possible for the State to be responsive by honouring the country's commitments and meeting its pressing needs while enabling Government to be sincere, transparent and accountable to the National Assembly.

According to the Government, the amendment made in the ordinance under scrutiny results from changes of major components of public fiscal balance provided for in the 2024 Initial Finance Law, especially as the changes are occasioned by an evolving economic situation, improved performance of revenue collection in 2023 and adoption of a batch of new measures, after passing the 2024 Finance Bill, that significantly impacted the execution of the 2024 State budget.

Regarding the evolving macroeconomic framework, the Minister stressed that there was a downturn in economic activity and persistent inflationary pressures in 2023. Indeed, instead of increasing from 3.6% in 2022 to 3.9% in 2023 as projected in the 2023 Initial Finance Law, economic growth decreased to 3.3 in 2023 due to a downturn in activity in the oil sector. Similarly, inflation was driven by increases in foodstuff prices and transportation costs that in turn resulted from the increase in fuel prices at the pump. Hence, the rate of inflation which was 7.4% in 2023 was well above the 4% projected in the Initial Finance Law.

Due to the lacklustre performance of our country's economy in 2023 and the fact that economic activity in the oil sector continued to shrink in 2024, Government was forced to reduce economic growth projections in the 2024 Initial Finance Law from 4.5% to 4.1%. Meanwhile, economic growth was still largely driven by manufacturing industries exports of primary commodities, fishing, fish farming, building construction and public works. In cognisance of persistent inflationary pressures in 2023 and the most recent adjustment of fuel prices at the pump, the rate of inflation has been increased to 7% as against the 4% projected in the 2024 Initial Finance Law.

Talking about other factors that impacted our country's economic situation, the Minister revealed that an IMF publication on the global economic situation in April 2024 reported that the world price per barrel of oil was 78.6 dollars in 2024, an amount that was slightly lower than the 79.9 dollars projected in our country's 2024 Initial Finance Law.

With respect to other changes provided for in the Ordinance, the Minister stressed:

First and foremost, the decision taken to increase salaries and family allowances paid to State employees was enforced and the resulting increase in expenditure on salaries is CFAF **59.5** billion.

Second, liberalisation of hydrocarbon imports and adjustment of fuel prices at the pump to resolve, in particular, the problem of restructuring the National Oil Refinery Company (SONARA). These new measures led to an increase in fuel pump price subsidies amounting to CFAF **74** billion.

Third, the objective of the 20 June 2024 Ordinance is, in line with the Economic and Financial Programme with the IMF, to control a new ENEO-related fiscal risk by making provisions for reserves amounting to CFAF **60** billion that would be used as grants to balance the budget of ENEO and reverse the current disequilibrium in the electricity sector.

Fourth, the June 2024 Ordinance also seeks to take into account budget support expected under the Economic and Financial Programme with the IMF, additional funding from loan agreements signed with the World Bank and the African Development Bank respectively in order to implement reforms in the electricity sector. The Ordinance also takes into account disbursement of funds by IMF under the Resilience and Sustainability Facility (RSF) and additional funding to be provided by the Islamic Development Bank for the reconstruction of the North-West and South-West Regions. All these additional funds amount to CFAF **244.5** billion.

Fifth, surplus revenue from taxes and customs duties that were harvested by virtue of the good performances of officials of the taxation and customs services in 2023 were, everything being equal, taken into account to make new estimates for revenue from taxes and customs duties in the 2024 Amended Finance Law. Similarly, non tax revenue was increased to CFAF **15.5** billion in order to take into account passport fees collected and deposited in the Public Treasury in 2023.

Sixth and lastly, the Minister made it clear that government intends to pursue efforts to substantially reduce outstanding payments made through the Public Treasury in order to better execute the 2024 budget and reduce payment deadlines. To this end, Government intends to raise the sum of CFAF **467** billion from foreign banks, CFAF **131** billion of which has already been procured at the beginning of the ongoing 2024 financial year. All funds procured in this way would be exclusively used to make outstanding payments.

Continuing his explanations, the Minister averred that while maintaining the overall budget deficit at 0.4%, the June 2024 Ordinance has increased the State budget to CFAF **7 278.1** billion, CFAF **7 212.5** billion of which is earmarked for the general budget and CFAF **65.6** billion for Special Appropriation Accounts as against CFAF **6 740.1** billion in the 2024 Initial Finance Law, representing CFAF **538** billion in absolute terms and 8 % in relative terms.

Talking about the amended general budget, the overall general budget has witnessed an increase of CFAF **45** billion, representing a 0.9% increase when compared with the 2024 Initial Finance Law. The above increase was driven by tax and customs revenue (CFAF +**30.4** billion) and non tax and customs revenue (CFAF +**15.5** billion).

Conversely, oil revenue decreased to CFAF 7.9 billion due to a fall in oil and gas production and in global fuel prices.

As for overall expenditure, the Minister revealed that it witnessed an increase of CFAF **53** billion (+1.1%) even though additional expenditure provided for in the Ordinance amounted to CFAF **277.5** billion.

In actual fact, in order to have the same overall budget deficit, that is 0.4% of GDP, payments for new expenditure items were rendered possible by reducing the budgets earmarked for goods and services to the tune of CFAF **81.5** billion, that allocated to the payment of pension (CFAF -11 billion) and the budget allocated to externally funded investment (CFAF -124 billion). Expenditure on the above was reduced because additional revenue only amounted to CFAF **45** billion.

On its part, externally funded investment was reduced because projects financed with such funds were not fully implemented in 2023 and their implementation rate was 56.2%. Pensions were reduced by taking into account budget savings that would accrue after streamlining the pension bill of retirees and family allowances paid to them.

The new expenditure provided for in the Ordinance has to do with salary increases (CFAF +**59.5** billion), subsidies to fuel prices at the pump (CFAF +**74** billion), funds earmarked for the implementation of the reform process in the electricity sector (CFAF +**84** billion) and lastly, an increase in grants to enable ENEO to have a balanced budget (CFAF +**60** billion).

Before rounding off his additional explanations, the Minister averred that the resulting budget deficit from adjusted revenue and expenditure in 2024 amounts to CFAF **137.9** billion as against CFAF **125.4** billion in the Initial Finance Law, representing a slight increase in financing need of CFAF **12.5** billion.

In order to finance the said deficit, Government hopes to receive additional budget support of CFAF **244.5** billion and to sell Government securities to foreign banks from which it hopes to raise the sum of CFAF **467** billion.

During the ensuing general discussion, your Committee members saluted efforts made to computerise revenue collection procedures at the level of diplomatic representations for passport fees, visa application fees, and the authentication of documents and cards by consular services.

They also commended Government for reducing expenditure on goods and services by CFAF **81.5** billion. Conversely, they deplored the reduction of the public investment budget.

Other Committee members pondered on:

- the increase in stamp duty on national identity cards from CFAF 2,800 to CFAF 10,000. On that score, some Committee members felt the increase was excessively high when compared with the purchasing power of the population and the current fee charged for producing identity cards in other countries of the sub-region.
- the real cost of producing national identity cards;
- reason for choosing a foreigner to produce national identity cards, especially as the information contained therein is sensitive and only the State has the sovereign right over such information;
- the modicum share of revenue procured from stamp duty and apportioned to the State, precisely 10% while the service provider receives 90%;

As concerns revenue collection by diplomatic representations, your Committee members pondered on:

- the purpose of increasing the fee for issuing passes even though the passes are needed by disadvantaged social groups;
- the purpose of increasing the fee for entry visa in Cameroon which could have a negative impact on the bid by the tourism sector to promote the Cameroonian destination;
- consistency of the principle of centralisation of State funds vis-à-vis provisions governing the collection of visa and passport fees by a foreigner, precisely the service provider;

Concerning revenue from fees paid for the acquisition land certificates, they pondered on:

- the actual use to be made of revenue procured from an increase in the fee for issuing a certificate of ownership which has been increased from CFAF **23 000** to CFAF **25 000** in disregard of persistent difficulties encountered in issuing land certificates. In this wise, they expressed the wish for Government to step up efforts to computerise procedures, combat corruption and fraud which are plaguing that sector of activity;
- possibility of excluding notaries-public from the process of collecting certain land certificate-related charges;

Regarding expenditure and investment, their concerns focused on:

- the need to increase tax and customs incentives given to stakeholders in the farming and livestock sector;
- reasons for reducing the investment budget, especially as the said reduction is inconsistent with the objectives of the 2020-2030 National Development Strategy (NDS30);

- the sustainability of our country's internal debt and its negative impact on economic activities in the country due to outstanding payments and invoice backlogs;
- rationale for terminating the public-private partnership agreement on the construction and exploitation of automatic tollgates, thereby delaying their commissioning;

The other concerns of your Committee members focused on:

- reasons for glaring delays in operationalising the universal healthcare delivery (UHD) scheme even though the State has disbursed a lot of funds in that regard ;
- justification for the modicum share apportioned to the State when compared to the share the service provider receives from passports and visa application fees and charges for the authentication of documents and consular cards by diplomatic representations;

Taking the floor to address the concerns raised by your Committee members, the Minister of Finance pointed out, as concerns the fact that going by recurrent prospects for amended finance laws, it was not still relevant to make budget estimates and projections in finance bills, that during the preparation of the State budget, it is difficult to predict with exactitude the evolving economic situation.

To buttress his point of view, he acknowledged that it was very unlikely to get the price of a barrel of oil right during the preparation of the finance bill since the said price tends to fluctuate. It was not also possible to know beforehand that the President will decide to increase the price of fuel at the pump and the salaries of State employees.

That is why the President has been having recourse to ordinances which seek to take into account changes in the macroeconomic situation and to uphold the principle of sincerity and transparency in budgeting. This is all the more so because it is Parliament that authorises the allocation of revenue and expenditure during a financial year.

Talking about the increase in stamp duty on national identity cards from CFAF 2 800 to CFAF 10 000, the Minister was keen to look at the context and reasons why Government opted for the said increase, namely:

- the problem of double identity;
- difficulties in satisfying demand for national identity cards;
- extension of the expiry date of NIC receipts which lead to undue payments and racketeering from police officers;
- the fact that banks and other financial institutions reject NICs and receipts whose validity dates have expired.

It is on the basis of the foregoing that Government decided to solicit the expertise of a service provider in order to shorten NIC production deadlines to 48 hours as is the case with passports.

In addition to the above advantage, the Minister disclosed that the new system of issuing national identity cards would make it possible to, inter alia, computerise payments procedures, modernise the identification system, render national identity cards secure and facilitate access by creating several identification centres across the country.

Talking about the real cost of producing national identity cards, the Minister revealed that the CFAF 10 000 stamp duty that is paid now covers all cost pertaining to the production of the national identity card, namely the cost of issuing the certificate of nationality, the cost of certifying a birth certificate, the cost of issuing a certificate of non-conviction and the cost of a snapshot.

In the opinion of the Minister, the CFAF 10 000 stamp duty which is only paid at the identification centre actually simplifies the procedures and forestalls administrative bottlenecks and the possibility of incurring extra cost.

Addressing the concern on reasons for choosing a foreigner to produce identity cards, especially as information therein is sensitive and only the State has the sovereign right over such information, the Minister made it clear that the service provider has the technical expertise and the requisite financial resources to produce the national identity cards.

As for the modicum share of revenue procured from stamp duty and apportioned to the State, the Minister averred that the 90% share of proceeds from stamp duty received by the service provider is justified by two considerations: the initial investment outlay and the hallmarks of the new national identity card.

As concerns the initial investment outlay, the Minister posited that the service provider will have to construct and equip 3 (three) multipurpose centres, 7 (seven) regional centres and 58 (fifty-eight) divisional centres of identification. The service provider will also rehabilitate 219 (two hundred and nineteen) existing identification posts; create a proper communication network, create a national database as well as a national assistance facility, provide 1000 (one thousand) identification posts and 1000 (one thousand) mobile authentication terminals and install equipment that will provide assistance to all identification posts.

As for the hallmarks of the new NIC, the Minister averred that the latter is robust, durable and cannot be falsified. It also complies with international norms pertaining to safety. Its validity shall be 15 years which is clearly higher than the validity of 10 (ten) years and will enable the service provider to get returns on its investment while issuing quality identity cards.

As concerns the purpose of increasing the fee for issuing passes even though the passes are needed by disadvantaged social groups, the Minister reiterated that they are issued to those who have misplaced their passports.

He however pointed out that the increase seeks to match the cost of producing passes to the current fee charged for producing passports.

As concerns the purpose of increasing the fee for entry visa in Cameroon which could have a negative impact on the bid by the tourism sector to promote the Cameroonian destination, the Minister made it clear that the increase in the fee would not have a significant impact on the growth of tourism in our country.

According to the Minister, the growth of tourism in our country mainly hinges on the provision of tourist facilities.

Talking about consistency of the principle of centralisation of State funds with provisions governing the collection of visa and passport fees by a foreigner, precisely the service provider, the Minister revealed that making such a concession is generally acceptable under public-private partnership since the service provider collects revenue from the investment made.

As concerns persistent difficulties encountered in the course of issuing and accessing land certificates, the Minister posited that the issue is a major concern to Government.

He reiterated that the Ministry in charge of surveys and Land Tenure is keen to weed out bad practices that are legion in the sector and will, in the process, exhort users to systematically report abuses suffered.

On the possibility excluding notaries-public from the process of collecting certain land certificate-related charges, the Minister began by pointing out that the notary-public is a legally accountable officer in land matters.

He also posited that the regulation in force makes it possible for a person to pay land certificate charges without having recourse to a notary-public.

On the need to increase tax and customs incentives given to stakeholders in the farming and livestock sector, the Minister outlined a batch of measures in that regard to promote the sector.

The Minister maintained that the measures taken are in line with the policy of import-substitution.

With respect to reasons for reducing the investment budget, especially as the said reduction is inconsistent with the objectives of the 2020-2030 National Development Strategy (NDS30), the Minister posited that the reduction is mainly due to a reduction in externally funded investment amounting to CFAF 124 billion.

In the same vein, he pointed out that the reduction is justified by the fact that externally funded projects were not fully implemented in 2023 and their rate of implementation was 56.2%.

What is more, he expressed satisfaction with the reduction of the budget earmarked for goods and services to the tune of CFAF 81.5 billion, thereby demonstrating the determination of Government to pursue its policy of rationalising its recurrent expenditure.

As for the sustainability of our country's internal debt and its negative impact on economic activities in the country due to outstanding payments and invoice backlogs, the Minister stressed that servicing the internal debt is one of Government's top priority because of the important role domestic enterprises play in financing the economy.

To this end, he averred that Government has initiated discussions with development partners in order to seek appropriate solutions.

Concluding his explanation on the issue, he made it clear that the sum of CFAF 467 billion would be raised from the international market and used exclusively to pay the debts owed to domestic enterprises.

As for the rationale for terminating the public-private partnership agreement on the construction and exploitation of automatic tollgates, thereby delaying their commissioning, the Minister posited that Government has, for strategic reasons, decided to terminate the partnership and to implement the project with its own funds.

He, however, pointed out that the State is obliged to reimburse the funds invested by service providers before appropriating that important project and continuing work on the project.

Regarding reasons for glaring delays in operationalising the universal healthcare delivery (UHD) scheme even though the State has disbursed a lot of funds in that regard, the Minister reiterated that besides being a new scheme, operationalising it equally raises a complex and sensitive issue which is health insurance.

The Minister, therefore, reassured the National Assembly that it would be optimally operationalised progressively and with caution.

After this exchange of views, your Committee members went on to scrutinise Sections of the Bill.

Sections 1 and 2 were adopted as tabled.

Having come to the end of their deliberations, members of your Committee on Finance and the Budget adopted each of the Sections in its initial form as well as the entire Bill No. 2060/PJL/AN to ratify Ordinance No. 2024/1 of 20 June 2024 to Amend and Supplement some Provisions of Law No. 2023/19 of 19 December 2023: Finance Law of the Republic of Cameroon for the 2024 Financial Year.

They now pray the entire House Chamber to kindly endorse their conclusions.