

**Cameroon: Report on the Observance of Standards and Codes—
Fiscal Transparency Module**

This Report on the Observance of Standards and Codes on the Fiscal Transparency Module for Cameroon was prepared by a staff team from the International Monetary Fund, using the assessment methodology adopted by the FATF in February 2004 and endorsed by the Executive Board of the IMF in March 2004. The views expressed in this document, as well as in the full assessment report, are those of the staff team and do not necessarily reflect the views of the government of Cameroon or the Executive Board of the IMF.

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CAMEROON

**Report on Observance of Standards and Codes (ROSC)
Fiscal Transparency Module**

Prepared by the Fiscal Affairs Department

Approved by Carlo Cottarelli and Antoinette M. Sayeh

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EXECUTIVE SUMMARY

This report provides an assessment of fiscal transparency practices in Cameroon in relation to the requirements of the IMF *Code of Good Practices on Fiscal Transparency* based on discussions with the authorities and other organizations, the authorities' response to the IMF fiscal transparency questionnaire, and other sources of information. The IMF *Manual on Fiscal Transparency (2007)* (<http://www.imf.org/external/np/fad/trans/manual/>) should be consulted for further explanation of the terms and concepts discussed in this report.

Since 1999, when it was a pilot case in the launch of the fiscal ROSCs, Cameroon embarked on a number of initiatives to improve fiscal transparency, some with the help of the development partners and with technical assistance from the IMF. For instance, a Public Expenditure and Financial Accountability report has been prepared, and Cameroon joined the Extractive Industries Transparency Initiative (EITI) in March 2005 and created a platform for dialogue on public finance involving representatives of government, donors and lenders, and civil society.

While Cameroon has achieved remarkable progress over the past few years, more needs to be done to respond more comprehensively to the imperatives of the Code of Good Practices on Fiscal Transparency. Overall, the legal and regulatory framework governing public finance is clear and sound. However, more progress is needed in implementing this framework if an adequate level of transparency is to be achieved. The passage of the 2007 law on the government finance system, which is expected to be fully in effect by 2012, should help significantly to improve fiscal management and transparency. However, a number of other reforms need to be accelerated to avoid contradictions or inconsistencies among the existing arrangements.

The report's main recommendations are in the following areas: (1) The integrity of the spending chain should be restored. At the moment, the spending chain is somewhat fragmented. Parallel budget execution circuits are often used to avoid what is seen as cumbersome procedures. In addition, the National Hydrocarbons Company (SNH) can be asked to execute some spending, whose budgetary regularization is done after the spending has taken place. (2) Weaknesses in the accounting system should be addressed, and the Budget review law should be produced according to the legal requirements. (3) Internal and external oversight should be strengthened. The Audit Office of the Supreme Court should be better staffed and its mandate should be enlarged to encompass performance audits in addition to its jurisdictional role. (4) Budget preparation should focus more on multi-year budgeting, especially in the area of public investment, this being particularly important before the planned move to program-budgeting.

Internal and independent oversight of SNH should be strengthened. The report recommends strengthening the external audits of SNH by reputable consultancy firms, and the strengthening of the government's oversight over the oil sector.

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ACRONYMS

ARMP	Public Procurement Regulation Agency	
BEAC	Bank of Central African States	www.beac.int
CAA	Autonomous Amortization Fund	www.caa.cm
CAEMC	Central African Economic and Monetary Community	www.cemac.int
CMB	Committee of Multiple Donors and Lenders	
CONSUPE	Superior Government Oversight Board	
CSPH	Hydrocarbon Price Stabilization Fund	www.csph-Cameroon.org
CTPL	Technical Privatization and Liquidation Commission	
DAE	Economic Affairs Directorate	
DGB	General Budget Directorate	
DGD	General Customs Directorate	www.douanescustoms-cm.org
DGI	General Tax Directorate	www.impots.gov.cm
EITI	Extractive Industries Transparency Initiative	eitransparency.org and www.eiticameroun.org
EPA	Public administrative establishment	
FEICOM	Special Fund for Intercommunal Equipment and Intervention	
GDDS	General Data Dissemination System	dsbb.imf.org/Applications/web/gdds/gddshome
GFS	Government Finance Statistics	
GFSM	<i>Government Finance Statistics Manual</i>	www.imf.org/external/pubs/ft/gfs/manual/fra/index.htm
GICAM	Association of Cameroon Employers	www.legicam.org
HIPC	Heavily indebted poor countries	
IMF	International Monetary Fund	www.imf.org
MINFI	Ministry of Finance	
MINIMIDT	Ministry of Industry, Mines, and Technological Development	
MTEF	Medium-term expenditure framework	
OHADA	Organization for the Harmonization of Business Law in Africa	www.ohada.com
PEFA	Public Expenditure and Financial Accountability	
PRSP	Poverty Reduction Strategy Paper	
PPP	Public-private partnership	
QFAs	Quasi-fiscal activities	
ROSC	Report on the Observance of Standards and Codes	
SCP	Public-owned corporation	
SDDS	Special Data Dissemination System	dsbb.imf.org/vgn/images/pdfs/sdds_legal_text_english.pdf
SEM	Semi-public corporations	
SIC	Cameroon Real Property Company	www.sicameroun.com
SNA	System of National Accounts	
SNH	National Hydrocarbons Company	www.snh.cm
SONARA	National Refining Company	
TOFE	Fiscal reporting table	

I. INTRODUCTION¹

1. **This report presents a reassessment of fiscal transparency practices in the Republic of Cameroon, by comparison with the principles of the IMF *Code of Good Practices on Fiscal Transparency*.** It is the follow-up to a pilot report prepared in 1999, which was one of the first reports prepared by the IMF on transparency in fiscal management. Since then, it was updated in 2003 (but not published) in the context of an IMF technical assistance mission and a Public Expenditure and Financial Accountability (PEFA) report was prepared in 2007. This reassessment has two components. The first describes current fiscal transparency practices in Cameroon. It is prepared by IMF staff on the basis of the responses to a questionnaire and discussions with the authorities as well as other available information. The second component is the IMF staff commentary on fiscal transparency in the Republic of Cameroon.

2. **This report also contains an assessment of transparency in natural resource revenue management,** by comparison with the recommendations of the *Guide on Resource Revenue Transparency*. A detailed assessment is contained in the annex to this report, and a summary is included in the staff commentary and recommendations.

II. DETAILED DESCRIPTION OF PRACTICE²

A. Clarity of Roles and Responsibilities

Definition of government activities

3. **General government is defined consistently with the Government Finance Statistics Manual 2001 (GFSM 2001) principles and is partly covered in the budget process.** *1.1.1*

The non-financial public sector components are listed in Box 1. In addition to the units covered in the budget, the central government includes a large number of units with their own budget. For the most part, they are public administrative establishments (EPAs³). EPAs are public entities endowed with financial autonomy and receiving from the government or from a decentralized local government appropriations to finance their implementation of a mission of general interest or of public service. In practice, their financing and operating methods vary.

¹ Interviews on fiscal transparency were conducted in Yaoundé, May 5–18, 2009, by an IMF mission composed of Mrs. Manal Fouad (mission chief), Mr. Edouard Martin, Mr. Alexander Klemm (all three from the Fiscal Affairs Department, FAD), and Mr. Ali Tazi (a member of the FAD panel of experts); the mission also received assistance from Mrs. Kabedi-Mbuyi and Mr. Tchakote of the IMF representative's office. The mission met with the Minister of Finance, the Minister of Industry, Mines, and Technological Development, the Minister in charge of the CONSUPE, the BEAC National Director, the Directors-General of Budget, Treasury, Taxes, the ARMP, the CSPH, and the CAA, the President of the CTPL, and members of the EITI Committee. The mission would like to thank the Cameroonian authorities for their availability and their efforts in facilitating the work of the mission.

² References to the Code are indicated in italics, to the right of the headings.

³ Governed by the 1999 law establishing the general charter of public entities and enterprises in the public and parapublic sector.

The operations of some are fully covered in the budget on both the revenue and the expenditure sides, and their role is to carry out specific actions for which expenditure has been budgeted; this is the case, for example, of the Road Fund⁴. Others are funded primarily or solely by transfers from the government budget, financed by earmarked taxes or from general revenue (this is the case, for example, of the universities and the National Statistics Institute). Yet others have their own substantial revenue, not included in the government budget. This applies, for instance, to the Hydrocarbon Price Stabilization Fund (CSPH), which is financed by surpluses from the oil price equalization system, and to the Special Fund for Intercommunal Equipment and Intervention (FEICOM), which is funded by several earmarked taxes not covered in the budget.

Government relationships with public nonfinancial corporations

4. Relationships between government and the public nonfinancial corporations are clear to some extent. *1.1.3, 1.1.4*

The 1999 law establishing the general charter of public entities and enterprises in the public and parapublic sector distinguishes between EPAs (paragraph 3), public-owned corporations (SCPs), and semi-public corporations (SEMs). The SCPs are private corporations, created to pursue industrial or commercial activities in the public interest, which are wholly owned by the state or other state-owned entities. The SCPs are entities established under private law, created to pursue industrial or commercial activities in the public interest, that are wholly owned by the state or other state-owned entities. The SEMs are entities established under private law, endowed with financial autonomy and capital. Their shares are held partly by the state, local governments or public-owned corporations and partly by private corporations or individuals. However, the status of certain units is unclear. That is the case, for instance, of a number of EPAs (e.g., the Cameroon Red Cross which is classified as an EPA while it is an entity established under private law, which receives government subsidies) and structures (e.g., the national forestry development support agency) that are listed among both the EPAs and the SCPs. The arrangements regulating the profit transfers from public enterprises to the budget are relatively clear. Decisions in this regard are taken by the boards of directors of the enterprises, on which the government is represented proportionately to the level of its shareholding.

5. The quasi-fiscal activities (QFAs) of public nonfinancial corporations are limited.⁵

The 28 SCPs are in general autonomously managed, but their activities are affected by certain government decisions such as the requirement to include social categories and therefore cross-subsidies in their pricing policy. Whereas the 40 SEMs generally follow commercial principles, there are a few exceptions. This is the case, in particular, of the Cameroon Real Property Company (SIC), which manages housing units at subsidized prices but does not receive

⁴ The Road Fund is a special kind of EPA, placed under the financial oversight of the Ministry of Finance but administered by a management committee and headed by an administrator. Its accounting is of the commercial type, and it is subject to supervision by the Audit Office.

⁵ QFAs are defined as activities carried out by the parapublic sector or even the private sector at the request of the government that are budgetary in nature (e.g., the granting of subsidized-interest loans or the selling of products below market price) or could be performed in the budget context, but the cost of which is not covered in the government budget.

compensation from the government. On the other hand, the national refinery (SONARA) is subsidized when wholesale fuel prices, which are controlled by the government, are not high enough for the company to meet its costs.⁶

Box 1. The Public Nonfinancial Sector in Cameroon

The public nonfinancial sector in Cameroon comprises the central government (1+2 below), the local governments (3) and the public enterprises (4+5).

1. Central government units covered by the budget

The President's Office and the units attached to it, the National Assembly, the Supreme Court, the Prime Minister's Office, the Superior Government Oversight Board (CONSUPE), the Economic and Social Council, the National Security, and 33 ministries.

Special case: although the Road Fund is classified as an EPA, its spending commitments are included in the budget. Its expenditure is, however, recorded when there is a transfer from the treasury account to the Road Fund account at the Bank of Central African States (BEAC) rather than when suppliers are paid.

2. Government administrative agencies (EPAs) with individual budgets

There are 89 EPAs, 67 of which receive budgetary transfers as their sole source of financing or to supplement their own revenue. There are several types of EPAs, including:

- Health and education institutions;
- Regulatory agencies;
- Bodies responsible for executing budget expenditure (Road Fund, CAA);
- Extrabudgetary funds, such as the CSPH and the FEICOM;¹
- Nonprofit nonmarket institutions; and
- Bodies whose status is yet to be determined.

3. Local governments

- 360 communes; and
- 10 regions (not yet operational, without individual budgets).

4. Public-owned corporations (28, including the SNH, the SNI, and Camtel).

5. Semi-public corporations (40, including the SONARA and the SIC).

¹The extrabudgetary funds are entities that undertake budget expenditure outside of the annual government budget appropriation process, based on separate legislation. They may be financed partly or completely by budgetary transfers, especially of special earmarked taxes, or by duties and fees levied outside the budgetary process.

Relationships between the government and the central bank and public financial corporations

6. Cameroon, as a member of a monetary union, has an independent central bank that plays no budgetary role.

1.1.4

The BEAC is the central bank of the six member countries of the Central African Economic and Monetary Community (CAEMC), including Cameroon. It is responsible for implementing

⁶ However, the government has accumulated payment arrears to the SONARA for 2008 subsidies.

the common monetary policy, and especially for preserving the stability of the CFA franc. It does not conduct quasi-fiscal operations, and its financial relationships with the government are clearly defined. It can grant statutory advances to the government, in amounts not exceeding 20 percent of the fiscal revenue collected the previous year.⁷ Cameroon has used these advances in the past, but they have all been paid back and currently, the outstanding amount is zero. Interest rates on deposits and advances are set by the regional Monetary Policy Committee.

7. Public financial corporations do not engage in QFAs. *1.1.4*

Government holdings in the financial sector are limited to three commercial banks (Banque Internationale pour le Crédit, 10 percent of the capital; Société Générale de Banques au Cameroun, 25.6 percent; and Société Commerciale de Banques au Cameroun, 35 percent). The market share of these three banks in terms of deposits and credits is about 40 percent. The state remains the owner of other financial corporations, including Crédit Foncier and CAMPOST, which are undergoing restructuring. According to the authorities, none of these banks resort to subsidized or directed lending.

Government relations with the private sector

8. Government holdings in corporations are extensive and their public disclosure is limited. *1.1.5*

The extent of government holdings in the commercial sector is significant (Box 1). An annex to the budget law contains a list of all SEMs and indicates for each the shares held by the government and the parapublic sector in their capital; the dissemination of this annex (as of all annexes to the budget law) is limited. The Holdings Division of the Ministry of Finance (MINFI) is responsible for managing the government portfolio. The economic operations of public and parapublic enterprises are monitored by the Technical Commission for the Restructuring of Enterprises.

9. The laws and regulations governing government regulation of the nonfinancial private sector are clear but complex because of their large number. *1.1.5*

The arrangements regarding the creation and functioning of private enterprises are presented in the Commercial Code, the Investment Code, the sectoral codes, the law on accounting, and the laws and regulations on the structures supporting enterprises and on taxation. In addition, Cameroon is a signatory to the regional treaty of the Organization for the Harmonization of Business Law in Africa (OHADA) for the regional harmonization of business regulations. Rules are transparent in the codes, but their implementation varies.

Fiscal management relationships among the branches of government

10. The fiscal powers of the executive, legislative, and judicial branches are clearly defined in law. *1.1.2*

⁷ It is planned to develop a government securities market in the CAEMC area and abolish statutory advances within five years.

The 1996 Constitution describes the relationships between the executive and legislative branches. The government is accountable to the National Assembly; Parliament passes laws and controls the action of the government. It passes the government budget and laws on taxes and fees. Parliament can also call the government to account through written and oral questions and establish commissions of inquiry on given subjects. However, whereas government members are often asked questions during debates on draft budget laws, commissions of inquiry have rarely been formed. The judiciary is independent of the executive and legislative branches. The Supreme Court is the highest jurisdiction and includes an Audit Office in charge of the control and assessment of public accounts, and of the preparation of an annual report on the government accounts.

The legal and administrative framework for fiscal management

11. The legal framework for the management of public finances is clear and defined by laws and regulations, some of which are being amended to ensure their consistency with the Constitution and with the law on the government financial system. 1.2.1

The 2007 law on the government financial system establishes the conditions for preparing, presenting, executing, and monitoring execution of the budget law. It describes the structure and content of the budget law; it defines the content and the process of presenting the budget review law in Parliament; it explains the principle of separation between the payment authorizing officer managing revenue or expenditure and the accountant; and it defines the three categories of payment authorizing officers: principal, the ministers; secondary, the heads of devolved government units; and delegated, those appointed by principal or secondary payment authorizing officers. The law also describes the types of accounting to be maintained by the government and the types of controls—parliamentary, administrative, and jurisdictional—to be established over the public accounts. In addition, at the beginning of each fiscal year a Minister of Finance circular specifies the procedures to be followed and gives detailed instructions to payment authorizing officers and accountants for execution and control of the government budget. A Decree of June 25, 1997, which establishes general regulations on public accounting, is being amended as several of its provisions are now inconsistent with the 2007 law.

12. The legislative basis for tax revenue collection is clear. 1.2.2

All taxes and fees are described in the General Tax Code and in the Customs Code (but not all exemptions—see paragraph 13). In addition, simplified manuals and information prospectuses exist. The structure of the tax legislation framework is relatively stable and functions under a self-assessment system. Although the codes are generally precise, in some cases they leave room for a measure of administrative discretion. For instance, the Director-General of Taxes or the Minister of Finance may authorize a total or partial reduction of penalties. In addition, the granting of certain tax incentives is at the discretion of the authorities (paragraph 13). The nature of the financial obligations of the oil companies to the government is defined in the Oil Code, but the exact terms of those obligations are set on a case-by-case base in the context of oil contracts (c.f. paragraphs 10-14 of Annex 1).

13. Tax exemptions are extensive, and tax expenditure is not reported. 1.2.1/3.1.3

Tax exemptions and incentives are set forth in the Tax Code, the Customs Code, the Investment Code, sectoral codes, the law establishing the tax, financial, and accounting system applicable to partnership contracts, and international agreements. Some are granted automatically, such as the tax regime in the securities sector, which applies to all enterprises bringing new shareholders to the Douala securities exchange. Others require government approval, sometimes with a certain margin of interpretation when checking whether the relevant legal conditions are met, as, for instance, in the case of the regime for “structuring” projects, for which one of the eligibility criteria is “being a pillar of economic and social development,” or in the case of the customs exemptions for charitable works to assist vulnerable persons, granted by the Minister of Finance. Although the notion of tax expenditure is not officially established, the General Customs Directorate (DGD) and, less systematically, the General Tax Directorate (DGI) prepare internal quantitative assessments.⁸ In the case of exemptions related to public projects financed by donors and lenders, tax expenditure is identified in the annexes (unpublished) to the budget, as taxes are paid through counterpart funds.

Tax administration

14. The legal and regulatory tax framework is clearly defined. *1.2.2*

DGI administrative procedures are defined in the Book of Tax Procedures. The administration is organized on a functional basis (legislation, disputes, audits, and collection) and by type of taxpayers, with specialized units respectively covering large enterprises, medium-sized enterprises, professional firms, real estate firms, and small taxpayers.⁹ There is as yet no code of conduct for tax officers, but they are required to maintain professional secrecy and other good practices specified in the Book of Tax Procedures. In addition, there are procedures manuals for some taxes, for the taxation of large enterprises, and for all the tax functions (management, control, collection, disputes) and production structures (Large Taxpayers Department, Center for Medium Enterprises Taxes, District Tax Centers). To pave the way for effective audits and collection, officers are entitled to request reports from third parties specified in the Book. The provisions for customs are similar. Also, there is a joint tax/customs unit that undertakes audit missions in the field. Taxpayers use single identification numbers for all taxes and all tax units. Reforms are under way to improve the protection of those identification numbers.

15. Taxpayers’ rights are well defined, and appeals against decisions on tax and nontax obligations are considered in a timely way. *1.2.2/4.2.6*

For the risk of tax contestation to be kept to a minimum, taxpayers are entitled to request early administrative decisions (advance tax rulings), whereby they would be informed within 30 days of the tax consequences of any transaction or other act. In cases of contestation, taxpayers may

⁸ The DGD estimates that the total amount of customs exemptions amounted to CFAF 59.7 billion in 2008. The DGI does not prepare comprehensive estimations of tax exemptions, but, for example, it estimates the cost of corporate tax reduction related to reinvestment activities to amount to CFAF 6.7 billion in 2008.

⁹ These specializations do not exist in all regions. For instance, there are only two pilot centers for medium-sized enterprises. Projects are under way to increase their number, but there is no plan to achieve full geographic coverage.

appeal in the context of a three-phased process, first to a regional directorate, then to the Director-General of Taxes, and next to the Minister of Finance. In all these procedures, taxpayers are entitled to be represented by a third party in their relationships with the tax administration. The taxpayer also has the right to appeal to an independent court of law, but, according to the PEFA report, this right is limited in practice, because the appeal can only be done at the administrative chamber of the Supreme Court which is located in Yaoundé. For customs, the provisions are similar, except that there is no mechanism for obtaining advance administrative decisions. However, the implementation of the new government financial system will allow significant progress in this area.

Public consultation

16. Public opinion is infrequently sought concerning proposed laws, regulatory changes, and broader policy changes. *1.2.3*

The public is informed of the budget law, which is published in the official gazette and, up to 2007, on the MINFI website. The annexes to the budget law are not confidential but are not systematically distributed or published. Civil society is, however, invited to share its opinions on the Poverty Reduction Strategy Paper (PRSP), which determines the core policies of the medium-term economic program.

Contractual arrangements and legal framework for liability and asset management

17. Contractual arrangements between the government and private entities are relatively clear, including the legal and regulatory framework for public-private partnerships. *1.2.4*

Model oil contracts exist, but the details of signed contracts are not publicized. Public-private partnership projects are still virtually nonexistent, but a legal framework has been established in preparation for their possible development (Box 2). In this context, the Ministry of Finance is called upon to play an important preparatory role in the identification of eligible projects, but a much less important role from the issuance of invitations to bid onward.

18. There is no legislative framework for debt management. *1.2.5*

The Minister of Finance is responsible for the stock of public debt. For example, the communes have to obtain the authorization of the MINFI (and the Ministry of Territorial Administration and Decentralization) before they can take out a loan. The caps on central government debt are set within the framework of the budget law. Debt management by the CAA is limited to making long-term projections that cover only confirmed commitments and take no account of possible liabilities. The government has also prepared a debt strategy, but this has not yet been approved.

Box 2. The Legal Framework for Public-Private Partnership Contracts in Cameroon

Cameroon has established a general legal framework for public-private partnership (PPP) contracts. This framework proves helpful, as contracts of this type are more complex than traditional concession contracts. There are currently no major PPP projects, but they are envisaged for major public works.

The legal framework is defined by Law 2006/012 of December 29, 2006, establishing the general partnership contract system; Decree 2008/035 of January 23, 2008, on the organization and functioning of the Partnership Contract Implementation Support Council; Decree 2008/0115/PM of January 24, 2008, specifying the procedures for the implementation of Law 2006/012; Law 2008/009 of July 16, 2008, establishing the tax, financial, and accounting rules applicable to partnership contracts; Decree 2009/011 of January 13, 2009, appointing the President of the Partnership Contract Implementation Support Council; and Order 069/CAB/PM of March 3, 2009, recording the composition of the Steering Committee of the Support Council.

- Law 2006/012 defines the phases of projects whose implementation the government may entrust to a private partner, as well as the conditions for resorting to PPP contracts. However, it does not state which sectors are eligible for contracts of this type.
- The legal framework clearly defines the content of the contracts, as well as the tax regime to which private partners are subject. The process of selecting projects, issuing invitations to bid, and awarding contracts is clearly defined.
- The Partnership Contract Implementation Support Council attached to the Prime Minister is responsible for appraising and setting up partnership projects. It has a steering committee on which the MINFI is represented.
- The role of the MINFI is limited to giving an opinion on the eligibility of projects, as well as a reasoned opinion before the competitive bidding procedure. Apart from being represented on the steering committee, the Ministry has no formal validation authority (stating that it has no objection) in the critical phases of the negotiation and award of contracts.
- The legal framework does not contain any provisions for the budgetary monitoring of PPP contracts, including any possible liabilities they may generate. The role of monitoring should be assigned to the MINFI.
- The legal framework does not provide for independent audits of PPP projects.
- The tax regime contains generous incentives.

19. The legal framework for privatization is clear, but the conduct of the privatization processes suffers, in some cases, from insufficient communication to the public. 1.2.5/4.2.4

Under the supervision of an interministerial committee, co-chaired by the Minister of Finance and the Minister of Economy, Planning, and Regional Development, the technical preparation of files on the enterprises to be privatized is entrusted to the Technical Privatization and Liquidation Commission (CTPL), whose tasks are clearly defined.¹⁰ The CTPL, which is placed under the direction of the Minister of Finance, works on the basis of a privatization program established by the government. The public is informed of the various phases of the process (from the invitations to bid to the final award) through the media. However, in cases of unsuccessful negotiations, the public is insufficiently informed about the reasons for the negotiation failure. The time taken to finalize privatization operations is a bit long owing to the

¹⁰ Ordinance of 1990 on the privatization of public and parapublic enterprises and implementing decree of 1990.

time necessary for: (i) preparing preliminary studies; (ii) the authorities to validate strategic decisions; and (iii) obtaining the go-ahead from the development partners at key stages of the process. Privatization receipts are presented in the government budget in the form of both forecasts and actual performances.

B. Open Budget Processes

The budget preparation process: clarity and consistency of process and presentation

20. The budget calendar followed in practice is not formally articulated. 2.1.1

According to the 2007 law on the government financial system, the draft budget law must be submitted to Parliament at least 15 days before the beginning of the budget session of November, and Parliament has 20 days, starting from the opening of the budget session, to debate the draft budget law. There is no other formally articulated provision on the budget timetable. The budget circular, which is signed by the President of the Republic, is published late and is of formal rather than practical value.¹¹ Very early in the year, in about April or May, the General Budget Directorate (DGB) holds a seminar on preparing the budget law for the coming fiscal year and explains the principal phases of the process, with budget conferences in about July, but this process is not formally established. The draft budget law is normally approved on time, before the start of the pertinent fiscal year.

The medium-term framework and policy basis for the budget

21. Multiyear budget forecasts and underlying macroeconomic assumptions are presented summarily in the budget law, but they are disconnected from the annual budgetary process. 2.1.2

The Forecasting Directorate (formerly the Economic Affairs Directorate, DAE) of the MINFI prepares a multiyear macroeconomic framework for the PRSP, based on financial programming that includes endogenous growth, a tax module, and a debt module. A second PRSP is being prepared for the period 2010–20, and medium-term expenditure frameworks (MTEFs) are prepared for the main social sectors, such as education, health, infrastructure, and rural development. Projections by economic sector and fiscal aggregates are prepared for the period up to 2020. The economic outlook and the budget framework with the macroeconomic assumptions are included in the economic report attached to the draft budget law placed before Parliament. Regarding investment, a record of projects is prepared, with investment projects listed for each of the country's ten regions. However, only payment appropriations for the year are included; the implications for future years are not discussed, and the multiyear investment program is not shown.

22. Fiscal objectives for the year are described in the report on the economic and social outlook attached to the budget law. The future consequences of the measures adopted during the current fiscal year are not explained. 2.1.2/2.1.3

¹¹ That related to preparation of the draft budget law for FY 2009 was published on September 18, 2008.

The draft budget law is accompanied by a report analyzing the nation's economic, social, and financial position and outlook, for the attention of Parliament. The reasons for new tax and customs measures and economic incentives are presented; however, their implications are discussed only with respect to the fiscal year in question and not beyond it.

Fiscal sustainability analysis

23. **An assessment of fiscal sustainability is not included in the budget documentation.** *2.1.4*

There is no sensitivity analysis of the economic assumptions or of fiscal policy options. In addition, there is no analysis of the important issue of dwindling oil revenues due to the depletion of oil reserves.

Coordination of budgetary and extrabudgetary activities

24. **Mechanisms for the coordination and management of budgetary and extra-budgetary activities are generally well defined but are insufficiently monitored.** *2.1.5*

The budget law places caps on appropriations and covers all transfers. However, some appropriations, particularly the additional centime paid to the FEICOM and to local governments, do not go through either the budget or the treasury. Similarly, the equalization tax collected on behalf of the CSPH is paid directly to the CSPH. This contributes to the underestimation of total government revenue (see below). Neither forecasts nor actual data on extrabudgetary activities carried out by the EPAs are consolidated, and the overall government fiscal policy is therefore not known. Whereas the related payments are made through special accounts rather than through the general treasury, expenditure financed by grants and external loans is included in the budget.

Budget execution accounting and reporting

25. **Accounting and internal control procedures are not entirely effective, and the accounting system does not provide a basis for preparing reliable data on arrears. The lack of published information on expenditures for which a payment order has been issued but which have not been paid yet makes any assessment of the fiscal situation difficult.** *2.2.1*

Revenue is recorded mainly at the collections stage, and expenditure at the commitment, payment authorization, and payment stage for the centralized services.¹² Most receipts occur through spontaneous deposits, not giving rise to the issuance of receipt vouchers, nor accounting entries; only revenue for which receipt vouchers have been issued triggers accounting entries before actual collection. As a result, knowing the full amount of accounts receivable is only possible for receipts for which a voucher has been issued. On the expenditure

¹² While a framework regulating the collection of budgetary information was put in place in 2008, the decentralized services of the central government are not able to provide in time reliable and exhaustive information on expenditure commitments and payment orders.

side, the process is computerized, and expenditure following the normal procedure will be recorded at the commitment stage by the payment authorizing officers (*ordonnateur*), with the issuance of a certificate of confirmation of availability of funds, then at the treasury at the payment authorization and payment stages. Consequently, the treasury is aware of expenditure for which a payment has been authorized but not paid. By contrast, expenditure following exceptional procedures are not monitored systematically and completely throughout the accounting process, and problems arise concerning its settlement. Accordingly, comprehensive knowledge about government arrears is not easily accessible and requires constant work of recording and comparing budget and treasury data.¹³ Internal controls are multiple and redundant, being effected thrice, by the *ordonnateurs*, the financial comptrollers and the accountants, and they do not seem to be effective at all levels, as noted by the Audit Office and the CONSUPE (see below). As the public expenditure system produces delays leading to very low implementation rates for certain investment projects, the authorities have sometimes resorted to accelerated procedures such as those established for the Road Fund expenditure. The fact that this expenditure is recorded in the budgetary accounts at the time of a transfer of the payment credit to the treasury rather than at the time of the expenditure itself implies that budget expenditure reported by the treasury does not always correspond to expenditure actually executed.

The amount of the expenditures for which a payment order has been issued but which have not been paid (the “restes à payer”), is not included in the published tables even though the amounts are important and known by the treasury. Moreover, the estimated amounts only cover the centralized services. As a result, the reported data on the cash balances reflect only partially the fiscal situation when the amounts of the “restes à payer” fluctuate substantially.

The important accumulation of “restes à payer” during the last few months of the year, if it was to translate into an increase in payment arrears, could have negative effects on budget execution and for the financial situation of government suppliers, which, in turn, could be transmitted to that of other companies and banks, which could see their nonperforming assets increase significantly. The accumulation of “restes à payer” reflects weaknesses in government cash management and may encourage the use of exceptional expenditure procedures. Also, the government suppliers could see their financial situation deteriorate even further, notably if the banks, faced with delays in the reimbursement of the loans they granted, strengthen the conditions for granting loans or/and request the payment of late fees.

In this context, it is very important to clearly define the concept of arrear, including the period after which a “reste à payer” is considered to be an arrear, and to put in place monitoring mechanisms. In line with the provisions of the CAEMC directive related to government financial operations (adopted by the member states in June 2008),¹⁴ this period should be set at 90 days.

26. The accounting system is capable of producing in-year reports on the budget outturn only for the central government, but such reports are not submitted to Parliament. 2.2.1/2.2.2

¹³ The last comprehensive survey of arrears dates back to 2005, and they are currently being paid.

¹⁴ Article 14 of directive n°4 of June 20, 2008.

The government's chart of accounts is harmonized with the budget classification, and the treasury accounts (*balance du trésor*) are produced on a monthly basis, with a 20-day gap. The treasury accounts cover operations to implement the budget law and cash operations. Based on these accounts, a table covering the government financial operations (TOFE) is prepared each month by the DAE, but only on a cash basis. There is no detailed report on implementation of the budget law; the DAE prepares only very brief quarterly summaries. The DAE also prepares a monthly economic bulletin on the economic sectors for the attention of the government and the development partners, but it is not published. According to the 2007 law, Parliament should receive a midterm budget execution report by September 30 of the ongoing year. However, Parliament receives only the economic report that is submitted with the draft budget law at year-end. Parliament does not engage in any midyear review.

27. Budget expenditure is occasionally executed without the observance of normal procedures. For various reasons (urgency, confidentiality, or cash management), the authorities sometimes ignore the normal expenditure procedures. For instance, there are cases when the National Hydrocarbons Company (SNH) makes payments on behalf of the government. Whereas the SNH subtracts those payments from the oil revenue that it transfers each month to the government, according to the authorities, that expenditure is adjusted from a budgetary standpoint, as the budget records the gross amount of the oil resources as well as the outlay (initially as expenditure for adjustment and later in the budget categories deemed to correspond to the outlay in question). This is not, therefore, a case of extrabudgetary expenditure, but rather of expenditure executed without observance of the expenditure process. As that expenditure does not go through the treasury, the latter does not know of its execution until the SNH informs it in the context of their monthly meetings on oil revenue. Budgetary adjustments may also be problematic, as it is impossible to be sure that expenditure is recorded in the budget appropriation corresponding to its nature and to the recipient ministries.

28. The law holds that revisions to revenue and expenditure during the fiscal year should be the subject of supplementary budgets. 2.2.3

Budgets are not systematically revised, and only one supplementary budget has been prepared in the past few years, for fiscal year 2008 (in September 2008), to take account of oil price changes, additional revenue measures, and wage hikes. That supplementary law was placed before Parliament and approved by ordinance of the President of the Republic. Changes by comparison with the budget law are recorded in the budget review law.

29. The final accounts are prepared with a substantial lag. 2.2.4

The final treasury accounts for December of fiscal year N are generally produced approximately in June of fiscal year N+1. The complementary accounting period, legally two months, is not respected, and there are delays in centralizing the statements from accountants in the regions. Revenue and expenditure accounts (*comptes de gestion*) should, in theory, be prepared by the principal accounting officers and sent to the Audit Office three months after the end of the fiscal year; but those accounts are not prepared by all the accountants, and even when they are compiled, their quality is mixed. Government accountants do not strictly observe the financial provisions of the 2007 law.

30. **The budget review law is not consistent with legal provisions.** 2.2.4

Draft budget review laws (*loi de règlement*) should close off budget execution and record any changes in actual execution compared with the budget forecasts. They should normally be submitted to the Audit Office with the administrative accounts from payment authorizing officers and the revenue and expenditure accounts from accountants, by September 30, at the latest, of the year following the fiscal year to which they relate. The Audit Office is then required to examine draft budget review laws and submit them to Parliament with its opinion. However, to date no draft budget review law has been submitted for examination by the Audit Office. The DGB has assumed the habit of preparing and submitting directly to Parliament a simplified draft budget review law for fiscal year N-2, consisting merely of tables on the execution of government budget revenue and expenditure, which is submitted to Parliament with the draft budget law for fiscal year N (this explains why the 2009 budget law contains the 2007 budget review law). These draft budget review laws are not based on the government annual financial statements (“compte de gestion de l’administration des finances”) and are accompanied by the administrative accounts from payment authorizing officers, which considerably diminishes their value.

C. Public Availability of Information

Commitment to timely publication of fiscal data

31. **The bulk of fiscal information is available to the public, but the authorities have not formally undertaken to provide the information by announcing a publication timetable.** 3.3.1/3.3.2

The budget review law which should present the budget execution details is published with a lag of two years. More aggregated data are published every quarter in the media, with varying lags; information on execution of the 2008 budget was published on April 29, 2009. It is not always easy to interpret these data, as the breakdown of expenditure can change. In addition, neither the presentation used in budget review laws nor that used in budget laws allows for easy analysis of the government’s financial operations (paragraph 44). The government is not bound by a publication timetable.

Coverage and quality of budget documents

32. **The budget documents cover central government activities and provide partial data on general government; defense expenditure is fully integrated in the budget.** 3.1.1/3.1.4

The budget documents accompanying the budget law cover the activities of the central government and transfers to the local governments and to the EPAs. The principal components of the central government covered in the budget law are the ministries and the autonomous constitutional bodies; the list of special treasury accounts is not included in a transparent way; a list of EPAs is included in an annex, but the reported budgetary transfers to them date back several years. The budgets of the EPAs are neither consolidated nor included individually in the budget law. Moreover, important information is missing from the budget law, i.e., the table of

budgeted staff by ministry and other government entity, tax expenditure, and contingent liabilities. Defense expenditure is clearly indicated in chapter 13 of the budget law, with a level of detail comparable to that in other chapters of the budget.

33. Budgetary information is available in an adequate level of detail. 3.1.1/3.1.4

The budget report contains a detailed table of tax and non-tax projections. The treatment of VAT is not in accordance with international practice, as it is reported on a gross basis (i.e., without subtracting VAT credit refunds, which are treated as expenditure). The presentation of oil revenue in the budget documents varies, and none of the definitions used covers all government oil revenue.¹⁵ The expenditure is broken down by chapter. It includes foreign-financed expenditure.

Box. 3. Budgetary Information in Cameroon

Coverage of budgetary information

The budget covers the central government. For accounts and funds with own budgets (Box 1), only transfers are shown. A few of them, such as the FEICOM and the CSPH, have extrabudgetary tax revenue. The communal budgets are neither consolidated nor published.

Annexes to the draft budget law itself contain the following documents:

- “Public Expenditure”;
- “Budget Revenue Forecasts”;
- “Public Debt”;
- “Report on the Nation’s Economic, Social, and Financial Position and Outlook”;
- “Government Financial Participation in Enterprises.”

Identification of the principal sources of revenue

The principal sources of revenue are detailed by category. The budget law lists revenue from the oil sector, revenue from taxes by category (e.g., personal income tax, corporate tax, VAT, etc.), and nontax revenue.

Dissemination periodicity and time lags

The budget law is published in the official gazette after being adopted by the National Assembly, i.e., toward the end of fiscal year N-1. The annexes are not published. Information on budget execution (cash basis) is published on a quarterly basis in the media, with a time lag of up to four months. The budget review law is published two years after the end of the related fiscal year, in practice at the same time as the budget law for the period N+2. Up until now, the budget review law has only been prepared in a simplified version.

34. The budget documentation does not provide the fiscal position of subnational governments but presents the financial statements of public corporations. 3.1.6

The budget contains neither individual nor consolidated data on the fiscal positions of local governments. An unpublished annex to the budget contains a list of the financial positions of

¹⁵ While oil revenue is not properly defined, they are fully reported in budget documents (but with part of oil revenue reported as non-oil revenue).

public corporations but does not provide a consolidated public sector position. Information on communal debt is not systematically published.¹⁶

Past and forecast fiscal data in the budget

35. Annexes to the draft budget law contain very little information on the previous budget years and none on the years beyond the ongoing year. 3.1.2

An annex to the 2009 budget law contains a document entitled “Fiscal Revenue Forecasts,” which provides aggregated figures for fiscal revenue and expenditure, for the year compared with the forecasts and performances for the four previous fiscal years (2005–08). However, the revenue and expenditure details are compared only with the forecasts for the previous year; no information is included on subsequent years’ revenue and expenditure is included.

Treatment of fiscal risks

36. Fiscal risks are not analyzed in the budget context. 3.1.3

Neither the budget nor any other report contains risk analysis. The budget does not address the sensitivity of the macroeconomic assumptions nor contingent liabilities. However, the budget projections of hydrocarbon prices include a precautionary margin to minimize the disruptive impact that an unexpected decline in oil prices may have on budget execution (Appendix 1, paragraph 26).

37. QFAs are not substantial, and their estimated cost is not included in the budget documentation. 3.1.3

QFAs are limited (paragraph 5), and their cost is neither systematically estimated nor presented. Subsidies to the SONARA are included in the budget but are explicitly listed only in the annexes, which are not published.

Publication of data on debt, other liabilities, and financial assets

38. Partial information is published on gross public debt. 3.1.5

The budget law specifies the planned new borrowings as well as payments in principal and interest. In an annex entitled “Public Debt,” which is not published, details are provided on debt service as well as on the original amounts of financing agreements. The stock of debt is mentioned in another annex, the “Report on the Nation’s Economic, Social, and Financial Position and Outlook.” The CAA publishes annual data.

39. Information on nondebt liabilities is not published. 3.1.5

Apart from debt, the main government liabilities are: civil servants’ pensions, which are financed within the budget framework; debt and leasing contracts guarantees for a number of

¹⁶According to the authorities, there is only one indebted commune (Douala).

public enterprises; contingent liabilities related to difficulties in some important financial sector institutions; and arrears, especially to public and parapublic enterprises. Other obligations may well arise in the future in the context of public-private partnership contracts, made possible by the 2007 Decree. For the time being, no information is published on such obligations.

40. Information on government financial assets is not published. 3.1.5

The annexes to the budget, which are not published, contain a list of all public enterprises and government equity holdings (paragraph 8), stipulating their original capital, their turnover, and their outturn. Their market value, however, is not estimated. The value of their assets is not estimated either (Annex 1, paragraph 37).

Long-term public finance analysis

41. The authorities occasionally conduct and publish long-term public finance analyses. These analyses are prepared in the context of the PRSP. 3.1.7

Guide to the budget

42. There is no guide to the budget; after the budget law has been enacted, only a summary of it is published in the official gazette. 3.2.1

The budget documents containing details on administrative appropriations by ministry and other recipient administrative structure are not available to the public and are not widely disseminated. Only the record of investment projects by region is published.

Budget classification

43. The budget classifications are broadly consistent with international standards. 3.2.2

The budget classification has been made consistent with the public chart of accounts, and the classification of the treasury accounts has been harmonized with that of the budget. There is an administrative classification corresponding to the organic structure of the government and other independent constitutional bodies, an economic classification, and a functional classification. These could be further refined, for example with respect to economic spending related to restructuring and rehabilitation, which is not detailed enough. At the same time, there is no program classification. Current appropriations are broken down by chapter (each corresponding to a ministry or constitutional body), section (corresponding to the functional use of the expenditure), article (corresponding to the recipient administrative unit), and paragraph (corresponding to the economic type of the expenditure). Investment appropriations are broken down, for each project, by article and by paragraph and made available by article in each ministry. There is also a separate document presenting the annual investment budget as a list of projects broken down by ministry and by source of financing. This report is widely disseminated, as it is published by the media at the beginning of the fiscal year. Fiscal revenue is broken down by type.

Overall balance of the central government

44. Only the overall balance is shown in the budget documents. 3.2.3

The budget documents make no reference to primary or nonoil balances. A primary nonoil balance is presented in the TOFE, notably to monitor the financial program supported by the IMF. The budget documents do not report the general government balance, and there is no consolidated balance for the local governments. In any case, the operations of the local governments must be balanced, except in the rare cases where they have resorted to borrowing.¹⁷

Program budgeting and reporting

45. The objectives and expected results of government activities are described in general terms. 3.2.4

The results of government policies are presented only in general terms in the economic report presenting the draft budget law and in the PRSP and the sectoral MTEFs. The indicators of program performance or outcome assessment have not been developed, and this should be done before moving to program budgeting.

D. Assurances of Integrity

Integrity of budget and accounting processes

46. Budget forecasts appear optimistic, but the variance between budgeted and actual cash-basis outturns of the main fiscal aggregates is disclosed to the public. 4.1.1

There is a tendency to overestimate nonoil revenue slightly (by about 5 percent in 2008), especially because of the regular overestimation of nontax revenue. Oil revenue, by contrast, is systematically higher than forecast, owing to a margin of prudence concerning crude oil prices. On the expenditure side, the rate of investment expenditure execution has been rising for several years but is still low. One of the annexes to the budget law contains tables showing the gaps between the budgetary forecasts and actual performances over the past four years. A table on budget execution is published on a quarterly basis in the media but shows expenditure on a cash basis, thus giving an inaccurate picture of budget execution in the ongoing fiscal year.¹⁸ Information on budget execution on a payment order basis is published with a gap of two years, in the budget review law.

47. Statements on accounting policy are not included in the budget documentation or the final accounts. 4.1.2

¹⁷ This is notably the case of the Douala commune, which issued bonds to the public.

¹⁸ For example, for 2008, it shows an execution rate of about 110 percent for domestically-financed investment. However, if the settlement of payments pending from 2007 is subtracted (and unsettled 2008 payments are added), the execution rate is estimated at about 90 percent.

There is no reference in the budget documents to the accounting basis used; this is defined in the 2007 government budget law. General government accounting follows the accounting framework established for all the CAEMC member states. Information on budget execution on the revenue side is recorded on a cash basis. Information on expenditure is presented on commitment, payment order, and payment bases, but only for centralized services. The Ministry of Finance continues to face the difficulty of registering in real time the commitments and payment orders of the central government's decentralized services. Accrual-basis accounting is gradually being put into use but is still incomplete. The final accounts are closed off with a delay of several months. Moreover, because administrative accounts and final treasury accounts are not produced, there can be no reconciliation with the contents of the budget review law.

Reconciliation practices

48. The process of reconciling budget execution data has been generally improved, but there is some partial fragmentation of cash management. *4.1.3*

Bodies have been set up to monitor cash management and reconciliations with the central bank and the CAA: a national debt committee, a payment validation committee, and a cash flow plan assessment committee. The latter meets on a weekly basis, and reconciliations between the treasury and the BEAC are continuous; this has led to a reduction in the costs of government cash flow management. However, consolidated cash management is not fully observed, as several government bodies, or the EPAs, still maintain accounts outside the treasury and the BEAC, in commercial banks, despite the recent instructions from the Minister of Finance to the treasury to counter this development. This applies, for example, to the CAA, as regards debt operations and the execution of externally-financed capital expenditure, and to the Road Fund. The treasury is currently seeking to make transfers to the EPAs on a monthly instead of annual basis.

Internal oversight

49. Civil servants are subject to a well-defined code of conduct; however, penalties are rarely imposed. *4.2.1*

Ethical behavior of public servants is governed by the general rules and regulations of the civil service and the bylaws of the special units, which provide for appropriate enforcement measures, including penalties. A standing civil service disciplinary board exists (Decree of 2000) as well as a budgetary and financial disciplinary board (Decree of 2008). There is an anti-corruption national commission, and an anti-corruption steering committee was set up in 2005; members of the latter include representatives of civil society. A law of 2006 created the obligation for government officials at the level of director and above to declare their fortune; however, the regulations establishing the terms under which this law is to be implemented are still under preparation. These bodies do not seem to be functioning effectively, and it is rare for penalties to be imposed for embezzlement.

50. Civil service recruitment procedures are clear.

4.2.2

Entry into the civil service is through open competitive examination (*concours*), based on merit, in accordance with the terms of the 1994 general rules and regulations of the civil service and the Decree of 2000 establishing the general system of administrative competitive examinations. There are also specific bylaws governing a number of bodies such as those of the judiciary, national security, and the penitentiary administration. The 1992 Labor Code sets the terms of contractual recruitment. The upgrading and promotion of civil servants are merit-based, founded on annual assessments and formal examinations at certain intervals (Decree of March 20, 2001). Wage scales are relatively narrow. Organic frameworks for ministries are not fully adopted, and the administrative management of personnel files is centralized only in the case of about 128,000 civil servants out of a total of some 172,000; the files of defense, police, penitentiary, higher education, and judiciary personnel are managed by the respective administrations concerned and by the payroll unit. The latest physical census of civil servants dates back to 2005. The reorganization and updating of personnel files have not yet been completed. There are errors and instances of fraud in the civil service, and preparations are under way to institute electronic filing of information. Regularizations of payments for upgrades and promotions seem to take more time than can be expected, and substantial arrears have accumulated in this area.

51. Procurement rules meet international standards but are not, in practice, strictly followed.

4.2.3

A public procurement regulation agency (ARMP) was established in 2001 (Decree of February 23, 2001), in the form of an EPA placed under the tutelage of the Office of the President of the Republic. Regional field offices of the ARMP are being created in the country's 10 regions. The agency's mission is to regulate, monitor, and assess the public procurement system. A Public Procurement Code was published in 2004 (Decree of September 24, 2004) and is applicable to all services valued at CFAF 5 million and above. The code tends to make the contracting authority accountable and to strengthen ex ante controls by independent observers, in cases of public contracts valued at CFAF 30 million and over, and by four specialized commissions by economic sector, in cases of contracts valued at CFAF 100 million to CFAF 1 billion. In addition, ex post controls are performed by audit firms on all public contracts valued at over CFAF 500 million and on a randomly-selected sample of 25 percent of contracts valued at between CFAF 30 million and CFAF 500 million. Despite the solid framework for procurement, the number of over-the-counter contracts have increased significantly, notably in 2007 (Box 4). The ARMP collects information and documents directly from those involved, files them, and is working toward the establishment of an electronic public procurement database. Several guides and procedures manuals exist and are widely disseminated; a website is in operation; a weekly procurement record is published with a summary version on the website, and an annual report on the efficiency and reliability of the public procurement's contracting, execution, and control processes is sent to the President of the Republic.

52. Internal audits take place at several levels, but their effectiveness is somewhat limited.

4.2.5

Internal verifications and audits are conducted by several administrative bodies throughout the public expenditure process. For instance, audits at the time of expenditure commitment are performed by the DGB and financial comptrollers, and by public accountants on the effectiveness of the provision of services prior to payment. The Budget Operations Control Directorate oversees budget execution in all spending ministries; the ARMP supervises public contracts; and there are staff supervision units in most ministries, undertaking internal controls at the departmental levels. However, the multiplicity of internal controls is no guarantee of their efficiency, and both the CONSUPE and the Audit Office have regularly highlighted several errors and cases of embezzlement (see below).

Clarity of internal control and independence of tax administration

53. The tax administration does not have effective internal monitoring and control mechanisms. 4.2.6

There has been no internal audit of the DGI since its creation in 2005. The DGI has a National Inspection of Services which is currently being reorganized and modernized in line with the publication of a new organizational chart of the MINFI. The DGD has also not been the subject of regular internal audits, even though some have been performed occasionally. External audits of the various DGD activities are regularly undertaken by the CONSUPE regarding the “budget execution” component, and by the General Inspection of Financial and Budgetary Affairs of MINFI regarding the “tax operations” component. Moreover, external and independent audits are sometimes conducted for specific taxes (forestry and road). To safeguard the rights of taxpayers, dispute mechanisms have been set up and, in the case of the DGI, together with the possibility of obtaining a prior opinion on the tax consequences of any action (advance tax ruling, paragraph 15).

54. The tax administration does not have legal protection from political interference. 4.2.6

The DGI and the DGD are central administrations of the Ministry of Finance, and their senior officials are subject to the civil service codes, with no particular immunities.

Public and independent oversight

55. The judicial control of the Audit Office is independent of the executive, and, in principle, its mandate covers all public sector activities. 4.3.1

The 1996 Constitution states that judicial authority is exercised by the Supreme Court, which is independent of the executive and legislative branches. The Supreme Court includes three offices, one of which is the Audit Office, created by law in 2003, and established in January 2006. The Audit Office controls and assesses the accounts maintained by public accountants of the central government, the EPAs, the local governments, and enterprises in the public and parapublic sectors. As a result, it must receive the accounts of all these bodies three months after the closure of the fiscal year (for the central government, EPAs, and local governments) and three months after approval by the competent body (for public and parapublic enterprises). The Audit Office is required to produce annual reports on its activities, showing the general

results of its work and any observations it deems it necessary to formulate in the interests of reforming and improving the management of public accounts. These reports are submitted to the attention of the President of the Republic and the President of the National Assembly and published in the official gazette. The Audit Office has produced reports for 2006 and 2007. The latter highlighted serious common and recurrent discrepancies, concerning mainly the fragmentation of orders so as to avoid observing the public procurement procedures, abuses and discrepancies in personnel travels, public funds maintenance, and the unreliability of public accounting. The Audit Office has also recorded the lack of a general account for the administration of finances and of reliable accounts for several EPAs and decentralized local governments.

Box 4. Public Procurement Processed by the Public Procurement Regulation Agency (ARMP), 2004–08

The ARMP is monitoring public procurement effectively. Its monitoring reveals that over-the-counter contracts have increased substantially since 2007, reaching over 13 percent of all contracts and one-third of all appropriations, but have shown a relative decline in 2008.

	2004	2005	2006	2007	2008
Total public contracts 1/					
Number	3,638	4,096	3,743	4,164	4,657
Appropriation (in billions of CFA francs)	339.7	305.0	313.9	551.2	467
Of which:					
Contracts by competitive bidding					
Number	3,316	3,744	3,382	3,514	4,293
Appropriation (in billions of CFA francs)	302.4	235.9	248.6	355.4	386
As a percentage of the total	93.3	94.0	93.4	86.3	93.6
Over-the-counter contracts					
Number	156	236	238	556	292
Appropriation (in billions of CFA francs)	32	61.2	57.1	181.5	72
As a percentage of the total	4.3	5.8	6.4	13.4	6.3
Claims received	...	64	32	141	133
Of which, claims justified	...	19	8	87	68

Source: ARMP Annual Report.

1/ Contracts awarded, order letters (for public contracts involving amounts of at least CFAF 5 million and up to CFAF 30 million), and amendments.

56. In practice, the functioning of the Audit Office is hampered by a shortfall in staff and its inability to enforce the rules. 4.3.1

The Audit Office does not have adequate human and material resources to perform its tasks; it has only 25 magistrates, of whom only 19 conduct audits while the other six perform administrative tasks. There are no assistants to assist magistrates in their verifications, which, in practice, makes the Office's tasks extremely difficult. In addition, up to date, the Audit

Office has received only one-third of the accounts that it should have received for control and assessment, with the first accounts starting only in 2004. This is mostly due to the local governments, which represent more than half of the accounts, and whose level of production remains below 10 percent. Moreover, the accounts that it has received are incomplete, miss the supporting documents, and of inadequate quality; this is especially true concerning the accounts of the local governments and those of the EPAs. To date, the Audit Office has not received any draft budget review law.

57. An audit is also performed by the CONSUPE, which is not, however, independent from the executive branch. 4.3.1

The CONSUPE is the highest institution for public finance internal control in Cameroon; this supervision and audit institution is attached to the Office of the President of the Republic and headed by a minister delegate (*ministre délégué*). The CONSUPE was reorganized by a Decree of 2005. It is responsible for conducting administrative audits on ensuring regularity and management performance of the government and its public and parapublic bodies involved in public finance management. It comprises 71 auditors, support and administrative staff and acquires additional resources for widening the scope and the quality of its interventions. Its program of activities is proposed by the minister delegate and approved by the President, and its investigations give rise to the preparation of reports that, once finalized, are submitted for the consideration of the Head of State, who decides on follow-up action. The minister delegate also chairs the budgetary disciplinary board for the imposition of penalties on payment authorizing officers and managers of public funds. An annual report on asset and personnel management is prepared at the end of each fiscal year and published. In 2006 the CONSUPE carried out 20 audit missions in a number of ministerial departments, decentralized local governments, public sector enterprises, EPAs, and public projects and programs. The 2006 report reports on the discrepancies noted, especially the most flagrant ones, regarding the conclusion and execution of public procurement contracts and poor management at the EPA level, which indicate that the internal audit and ex ante supervision bodies are inefficient. The CONSUPE carries out actions complementary to those performed by the Audit Office but does not assess the accounts. Its effectiveness depends upon the follow-up given to its audit reports by the President of the Republic. The reports have consequences if they are submitted to justice and to the Budgetary and Financial Discipline Board.

58. Audit reports are not submitted to Parliament and are not published. 4.3.2

The audit reports of the CONSUPE are submitted to the Head of State, who decides on possible follow-up. They are neither submitted to Parliament nor published. Also, whereas the Audit Office is required to give its opinion on the draft budget review law before its submission to Parliament, the Audit Office has not formally received any budget review law for examination.

59. The National Statistics Institute has partial independence. 4.3.3/4.3.4

The National Institute of Statistics is an EPA, whose director-general and managing board members are appointed by presidential decree. It is placed under the technical tutelage of the ministry responsible for statistics. The institute uses and validates the fiscal data received from the Ministry of Finance but does not verify their quality. Cameroon has subscribed to the

General Data Dissemination System (GDDS) since 1998 and intends to transition to the Special Data Dissemination Standard (SDDS) but has not yet set a date for doing so.

III. IMF STAFF COMMENTARY

60. **Conscious of the importance of transparency for the improvement of public finance management and the enhancement of the business climate, Cameroon had been a pilot case when the ROSC initiative was launched in 1999.** Since then, numerous reforms have been implemented to improve transparency, some with the help of development partners and with technical assistance from the IMF. For instance, a PEFA report has been prepared in 2007, and Cameroon joined the Extractive Industries Transparency Initiative (EITI) in March 2005 and created a platform for dialogue on public finance involving representatives of government, donors and lenders, and civil society. “Transparency in public management” is, moreover, cited as being part of the general budget guidelines in the September 2008 circular from the President of the Republic on preparation of the 2009 government budget.

61. **While Cameroon has achieved remarkable progress over the past few years, more needs to be done to respond more fully to the requirements of the *Code of Good Practices on Fiscal Transparency*.** Overall, the legal and regulatory framework governing public finance is clear and sound. However, more efforts are needed in implementing this framework if an adequate level of transparency is to be achieved. The adoption of the 2007 law on the government financial system, which is expected to be fully in effect by 2012, will help to improve fiscal management and transparency significantly. However, a number of reforms need to be accelerated, especially to avoid contradictions or inconsistencies among the existing arrangements.

62. **Clarity of roles and responsibilities.** The legal and regulatory framework that defines the roles among government authorities is clear. The three types of bodies making up the public nonfinancial sector are well defined and governed by the 1999 law. However, the central government is defined narrowly, and there is no consolidation or monitoring of the finances of the local governments or the EPAs. The EPA category is made up of a hybrid mix of entities. Even though quasi-fiscal activities are limited, they should be shown more clearly in the budget documentation. The government has delegated the management of the oil sector to the SNH, which covers a large part of the relationship between the government and the oil companies. In this context, certain budgetary operations of the SNH (in particular, the retention of a share of oil revenue to finance the expenditure related to its terms of reference) remain outside the budget framework. Existing framework laws and model contracts define the government’s relationship with private enterprises in the oil sector, and PPPs and allow greater transparency.

63. **Open budget process.** The passage in 2007 of a modern law organizing government finance provides a clear legislative and administrative framework. Taxes and fees have an explicit legal basis. However, the proliferation of revenue and expenditure directly allocated to extrabudgetary bodies (EPAs, SNH) implies that the budget process covers only a portion of public revenue and expenditure; this makes it difficult to analyze the government’s fiscal

position accurately.¹⁹ In addition, whereas the execution of certain budgetary expenditure items outside the treasury channel may appear more efficient in the short-term, over time this may well undermine the integrity of the expenditure process, lead to abuses, and demotivate the various participants in and managers of public policy. There are also accounting weaknesses that prevent the preparation of final accounts and a budget review law that were duly verified by an external audit body. Any move towards program budgeting should be preceded by the preparation of medium-term budgetary frameworks, and the improvement of the cash management system, as well as the accounting and information systems.

64. **Public availability of information.** Public access to financial information on government activities has improved. The participatory process of preparing and then publishing the poverty reduction strategy paper, as well as other initiatives for heightening public awareness, have thus facilitated access by civil society to information of this type.²⁰ The authorities have made an effort to publish quarterly data on budget execution. Tax units have started an exercise to enhance public information about the laws and regulations, either on the Internet or through the media. However, whereas most public structures have websites, these are not always updated; this means that the available information is often obsolete, sometimes by a few years. Finally, budget documents do not facilitate understanding by the general public because they lack adequate summaries.

65. **Assurances of integrity.** Whereas the legal and administrative framework is sound, rules and regulations are often ignored. The Audit Office, which is responsible for the jurisdictional control of public accountants' accounts, lacks the necessary means and the authority to perform its tasks properly. Most of the audits carried out by the CONSUPE are intermittent, and its reports remain internal and are submitted only to the Office of the President. Little is done to follow up those reports, and penalties are rarely imposed. In the case of the public and parapublic enterprises, external audits are not mandatory, and it would seem that few are actually conducted. Cameroon does not avail itself of an entity in charge of external audits of public finances as the Audit Office is more of a jurisdictional body.

66. **A great deal of progress is still needed to ensure the consistency of public finance with the standards in the IMF *Code of Good Practices on Fiscal Transparency*.** Recommendations to that effect are suggested below. The implementation of some of those recommendations can occur quickly, with others placed in the context of the gradual implementation of the 2007 law, for which prior technical assistance may be needed.

67. **The transparency of the budget process** should be increased through a medium-term focus of fiscal policy, limiting recourse to exceptional budget expenditure procedures, and the integration of all revenue collected on behalf of the government into the budget and treasury operations. It would be appropriate to:

¹⁹ With regard to the SNH, it relates in particular to the financing of the mandated activities, which is ensured through the lack of transfer to the government of part of the oil revenue, not to SNH's limited quasi-fiscal activities discussed in the previous paragraph.

²⁰ Some nongovernmental organizations publish their own analyses of government finance (e.g., *Dynamique Citoyenne*). The national organization of employers (GICAM) also has its own website, which is more up-to-date than the government's as regards the budget documents and the laws.

- Improve cash management so as to reduce the amount of expenditure for which a payments order has been issued but which have not been paid yet (“restes à payer”).
- Adopt, in line with the CAEMC directive, the 90-day criterion to define arrears and put in place a monitoring mechanism for “restes à payer”.
- Further instill a medium-term focus into budget preparation and initiate budget preparation in a three-year horizon by introducing notably, in line with the calendar envisaged by the 2007 law on the government financial system, the concept of multiyear rolling program appropriations with annual payment appropriations for capital expenditure.
- Improve the integration of the operating budget with the investment budget so as to be able to take account systematically of the recurrent expenditure generated by future and past investment projects and enhance investment budget execution.
- Show the revenue and expenditure allocated to entities that are outside the scope of the budget by integrating them into revenue and transfers (e.g., the total "centime additionnel", the revenue retained by the SNH to finance its operating expenses, etc.). This would pave the way for a more accurate assessment of the fiscal stance.
- Review the public expenditure process and assess the efficiency of ex ante controls, possibly to simplify them and avoid the use of exceptional procedures that disrupt the normal channels of public expenditure, such as the settlement of public expenditure by the SNH.
- Require from the SNH to prepare an annual plan of payments to the treasury to be updated monthly and submitted to the treasury.
- Avoid the gradual disintegration of the budget through the creation of totally autonomous bodies carrying out their budgetary operations outside the budget and the treasury, and limit extrabudgetary activities to the extent possible. A complete survey of such entities should be conducted in the short-term together with an assessment of their extrabudgetary activities.
- Improve the content and transparency of the budget documents and compare the forecasts in the budget law with the previous years' performances rather than forecasts. Supplement the budget law with the summary tables to improve reporting to Parliament and the public about the action and the activities of the government.
- Formalize the budget timetable and compile a guide on budget preparation which would ensure an effective participation of all line ministries in the preparation process.
- Enforce the Public Procurement Code and perform real controls for the technical and financial monitoring of public projects.

- Bring together all of the accounts maintained at the BEAC into subaccounts of one principal treasury account, so as to improve the available picture on financial assets of the state, realign cash management, and reduce the cost of treasury financing.
- Update the survey of the stock of government arrears and their valuation, and formulate an accounting method to properly monitoring them and a transparent strategy for clearing them. Take steps to prevent the accumulation of further arrears.
- Strengthen long-term analysis of the impact of the revenue losses to be generated by the exhaustion of the natural resources on the sustainability of government finance.

68. **Assurances of integrity** should be strengthened through strict observance of the law. Internal audits are conducted at several levels, but their effectiveness needs to be increased. A proper external audit should be established. To this end, steps should be taken to:

- Enforce observance of the complementary period cutoff date to ensure timely compilation of the December treasury accounts and enable the principal accountants to prepare their treasury final accounts;
- Emphasize quality and management control, and impose sanctions where necessary;
- Ensure follow-up of the recommendations made by the oversight bodies and wide dissemination of their reports;
- Create an audit capacity at the Audit Office by expanding its mandate to performance auditing and by preparing a medium-term recruitment strategy.
- Observe the rules and regulations for preparation and submission of the budget review law to the Audit Office within the prescribed time limits.

69. **Roles and responsibilities** should be further refined to facilitate better assessment of the role of public fiscal policies in the economy.

- The budget documents should provide information on general government, in accordance with the GFSM 2001, that is, including, in addition to the central government, a consolidated budget for the EPAs (net of government transfers) and the local governments. This is especially important in view of the decentralization reform that will give the regions more powers in the public finance area. The fiscal position of the general government should be submitted for information to the National Assembly and the public; and
- It would be appropriate to review the list of EPAs so as to clarify the status of those whose nature is unspecified.

70. **Clearer data dissemination** would contribute to better understanding by the public and the development partners. This can be achieved by:

- Preparing and disseminating clear, adequate summaries on fiscal data;
- Distributing monthly budget execution data from the *tableau de bord* of the Forecasting Directorate;
- Updating the Ministry of Finance website and posting on it the financial regulations, the detailed budget law, and the budget review law, and establishing links with the operational sites of the DGD, the DGI, and the ARMP; and
- Preparing and publishing a report on tax expenditure and its impact on the budget.

71. **Transparency in natural resource management has improved significantly in recent years but could be further enhanced.** The main aspects of the procedures for the award of licenses to mine natural resources are well established but leave a degree of discretion to the authorities in their choices of partners. Similarly, whereas the nature of the financial obligations of the oil companies to the government is defined in the Oil Code, the exact terms of those obligations are negotiated freely following call for bids or “over-the-counter” transactions. The budget documents do not show all government oil revenue, especially as certain revenue is retained by the SNH, which collects the bulk of public oil revenue, to finance its operating expenses. The budget documents also do not seem to take account of the intrinsic characteristics (volatility, nonrenewability) of oil revenue. Having mandated the SNH with the monitoring and control of oil operations, the government has only a limited capacity for monitoring oil operations on its own, and in particular with regard to ascertaining whether the oil companies are meeting the financial obligations stipulated in the oil contracts. Finally, the SNH publishes its annual financial statements on its website, along with the certification report prepared by an auditor from a local audit firm (see Annex 1, paragraph 42).

72. **The following suggestions are recommended:**

- Publish quarterly reports showing, by revenue type, all oil revenue received by the government and the SNH, and stating how it is allocated;
- Build the capacity of the MINFI to analyze the oil sector, possibly by creating a unit dedicated to monitoring the sector; and
- Have an independent internationally reputable firm perform an external audit of the SNH.

Appendix I. Summary of Transparency Practices in the Management of Natural Resource Revenue in Cameroon

Introduction

1. Whereas markedly less than that of other countries in the region such as Nigeria, the Republic of Congo, and Equatorial Guinea, Cameroon's oil revenue is essential to the financing of the government budget and to the balance of external trade. For instance, in 2008 oil products accounted for more than one half (about \$1.8 billion) of Cameroon's exports and more than one third (7.5 percent of GDP) of government revenue. Whereas oil currently represents the bulk of the extractive sector's output, its production is expected to continue declining in the coming years. To make up for that decline, the authorities intend to promote the development of mining of the other natural resources that abound in Cameroon, such as natural gas, bauxite, cobalt, nickel, and iron.²¹

I. CLARITY OF ROLES AND RESPONSIBILITIES

The legal framework governing natural resource revenue is clearly defined by the law. The main aspects of the procedures for awarding licenses are well established but leave a measure of discretion to the authorities in their decisions. *1.2.4/1.2.5*

2. Oil and mining operations²² are governed by the Oil Code (Law 99-013) and the Mining Code (Law 2001-001) and by the pertinent implementing decrees (Decrees 2000-465 and 2002-048). These laws clearly establish that the oil and mining resources are and remain the property of the state and that the state exercises sovereign rights over activities in these sectors. Individuals and legal entities, including the owners of land containing natural resources, may not undertake oil or mining operations without first obtaining authorization to do so from the government.

Hydrocarbons

3. The Oil Code states that the government reserves the right to undertake oil operations but may also authorize commercial corporations to perform oil operations in execution of an oil contract. The government also reserves the right to take a participating interest, directly or through a delegated public institution, in all or some oil operations that are the subject of an oil contract. In practice, the national hydrocarbons company (SNH) has taken public participating interests in oil contracts within the framework of its mandate (see below).

²¹ Given the importance of oil revenue for Cameroon's economy, this annex covers transparency practices in the management of oil revenue more comprehensively than practices related to the management of revenue from the mining of other natural resources. Issues related to the mining sector are thus the subject of a more general overview.

²² In the context of this appendix, the term "oil operations" will be used in a generic way for all operations related to hydrocarbons, whether liquid (e.g., crude oil) or gaseous (e.g., natural gas). The term "mining operations" will, on the other hand, be used only for industrial operations in mines and will therefore not cover artisanal operations or quarry mining.

4. There are two types of oil contracts:

- Concession contracts, the licensees of which assume the financing of oil operations and have access to hydrocarbons mined during the period of validity, subject to the rights of the state to a portion of the production in kind and to some taxes (corporate tax and proportional royalties); or
- Production-sharing contracts, under which the government contracts the services of a licensee to engage, exclusively on its behalf, in research and possibly mining activities. The licensee funds these operations, and the production of hydrocarbons is shared between the government and the licensee.

5. The Oil Code and the pertinent implementing decree define the procedures for the award, renewal, transfer, and conveyance of oil contracts and the various permits (prospecting, research, mining, domestic transport). The ministry responsible for hydrocarbons (currently, the Minister of Industry, Mines, and Technological Development) is entrusted of examining contract bids and permit applications. In practice, an interministerial technical committee, under the coordination and leadership of the SNH, negotiates these contracts on behalf of the government, and the minister responsible for hydrocarbons and SNH's executive general director sign them.

6. Bids for oil contracts may be unsolicited, in which case they will be examined individually, or may be in response to invitations to bid. The terms of such invitations to bid vary, as finalization of the exact terms of an oil contract is subject, as in the case of unsolicited bids, to negotiations between the government, represented by the SNH, and the selected bidder. It is noteworthy that according to article 9 of the Oil Code, the criteria for awarding oil contracts were to be defined in regulations; in fact, that has not been the case, those criteria being defined on a case-by-case basis in the terms of references set by the SNH and the ministry responsible for hydrocarbons, and presented to all bidders. In practice, the government enjoys much freedom of choice in the award of oil contracts and permits. Indeed, article 9 of the Oil Code states that "the government shall deal at its absolute discretion with bids for oil contracts and applications for permits. Absolute or conditional refusals shall not give rise to any right of applicants to appeal or to receive compensation of any type whatsoever."

7. Whereas model oil contracts exist, the details of signed contracts are not published. The latter are merely the subject of press releases stating that a contract has been signed and naming the signatory enterprises and the zones involved.

8. The Oil Code also defines:

- Rules for the occupation (and expropriation) of lands marked for oil operations and the transportation of hydrocarbons. Permits for occupation are granted by decree;
- Rights (subcontracting and "unitization" of adjacent fields) and obligations (preference for Cameroonian subcontractors and workers, training of Cameroonian personnel,

observance of hygiene and security rules, and supply of the domestic market) related to oil operations; and

- Obligations related to protection of the environment.

Mines

9. The Mining Code states that any individual or legal entity wishing to engage in mining must first obtain a permit of recognition or a mining right. The conditions for the award and renewal of mining rights and the various permits (prospecting, research, mining) are defined in regulations. Whereas the minister responsible for mining (currently the Minister of Industry, Mines, and Technological Development) issues prospecting and research permits, exploitation permits must be issued by presidential decree.

Whereas the nature of the financial obligations of oil companies to the government is defined in the Oil Code, the exact terms of those obligations are set on a case-by-case basis in the context of oil contracts and are not published. *1.2.2/1.2.4*

Hydrocarbons

10. The financial obligations of enterprises signing oil contracts to the state are essentially of two types: (i) transfers of the share of production to which the state is entitled as defined in the contract; and (ii) payments of taxes, duties, and fees for which the enterprise is liable.²³ In both cases, the exact terms of those obligations vary from one contract to the next, being determined in the context of negotiation of the contract depending on the economics of each contract, on each parcel, on the oil potential, and of the type of hydrocarbon being targeted.

11. The main features of the budgetary framework applicable to oil operations are clearly defined in the Oil Code. Oil contract licensees, as well as enterprises related to them, are liable for:

- Fixed fees on applications for the award, renewal, transfer, conveyance, or termination of oil contracts and permits;
- An annual area tax;
- Royalties proportional to production (only for concession contracts);
- Corporate tax on net profits from their activities of research and mining of oil resources;
- In some cases, signature and production bonuses; and
- In some cases, an additional oil levy.

The principal tax incentives, especially in terms of customs exemptions, are also described in detail in the Oil Code.

12. This framework leaves the authorities wide discretion in establishing the obligations of enterprises signing oil contracts. These obligations are either clearly defined in the terms of

²³ Oil companies also pay dividends to the SNH for its participation in oil contracts (see below).

reference of the invitations to bid or freely negotiated, the bidders being informed from the beginning. Whereas the amounts of fixed fees and the area tax have been set by decree, the amounts of other levies are stipulated on a case-by-case basis in the oil contracts. For instance, in the case of corporate tax, the Oil Code states merely that its “rate must be between the ordinary rate mentioned in the General Tax Code and 50 percent.” This discretion is even broader when one considers that production contract details are not published, as stressed above.

13. The Oil Code leaves room for the inclusion of a stability clause in oil contracts. In practice, all contracts signed since the code was promulgated include such a clause. The Oil Code also provides for the ringfencing of oil business, whereby each company signing an oil contract must maintain separate accounting for its oil operations. Finally, methods for controlling transfer prices are decreed in the General Tax Code. The Oil Code provides additional clarifications concerning interest on debt and the provision of services by affiliated companies, but no methodology is prescribed for their implementation.

14. The tax regime applicable to the commercial activities of the SNH is defined in a clear legal framework:

- As an oil contract licensee (Ebomé), the SNH is subject to the obligations defined in the contract and in the founding agreement signed between the company and the government in May 1996; and
- As a commercial company operating in the oil sector, the SNH is subject to the ordinary tax and customs regime, as defined in the General Tax Code.

Mines

15. The budgetary framework applicable to mining operations is clearly defined in the Mining Code. Applications for the award, renewal, and transfer of mining rights are subject to fixed fees. The code also provides for the payment of ad valorem taxes on mining products and area taxes. The amounts of these duties, taxes, and royalties were set by the implementation decree of the Mining Code and can be amended by regulation. The code also defines the tax benefits granted to mining companies, especially in terms of exemptions from taxes and customs duties. Finally, the Mining Code contains a tax stability clause freezing the tax rates and regimes, duties, and fees throughout the validity of the mining permit.²⁴

²⁴ Operators may, however, benefit, merely upon request, from any change in the tax legislation that is favorable to them.

The bulk of public oil revenue is collected by the SNH. A portion of those receipts is not passed on to the government, serving to finance the operations of the SNH. 1.2.2

16. A large share of public oil revenue is collected by the SNH. Indeed:

- The share of production to which the state is entitled is managed directly by the SNH, which is responsible for its marketing. The SNH transfers the proceeds of those sales to Treasury after deducting from them the government's contribution to the operational costs of oil operations (as stated in the oil contracts) and its mandated expenses (inspection costs, management of security stocks, participation in international organizations, promotion of the oil sector, etc.);
- Unlike other levies, signature and production bonuses are not paid to the government but to the SNH, which uses them to finance its non-mandated expenses aimed at ensuring the development and sustainability of its operations; and
- As public participation in oil contracts occurs through the SNH, the latter collects the dividends paid for this participation. Those dividends also help finance the company's non-mandated expenses.

17. Even if nothing prevents it, oil contracts do not contain financing clauses enabling the government, directly or through the SNH, to borrow from the oil companies. In fact, the SNH does not incur debt, as it funds its activities from its own resources.

Public participating interests in the oil sector are taken through the SNH, which publishes information on them in its annual reports. 1.1.5/1.2.4

18. Oil and mining operations are performed mainly by private companies. However, under the Oil Code, the government reserves the right to take, directly or through a public institution, a participating interest in any oil contract. In such cases, the government has the same rights and duties as the contract licensee, proportionately to its participation. The size of those participating interests is one of the parameters negotiated when oil contracts are being finalized. In reality, the SNH has taken participating interests to the tune of 20 percent in the four projects that have entered the production phase. Information on those interests is published in the company's annual reports.

19. As regards mining, the pertinent code states that the award of a mining permit may give rise to the award to the state of shares representing up to 10 percent of the shares of the mining company. The state may, however, subsequently increase its equity holding and this is currently under consideration in the context of the main mining contract signed to date, following the withdrawal of one of contract licensee companies.²⁵ The terms of the equity increase in question are under negotiation.

²⁵ The Nkamouna project is aimed at the mining of cobalt, nickel, and manganese in an area situated in the southeast of the country. The project leader is the Geovic company, which holds 60 percent of the shares.

The budgetary responsibilities of the SNH as manager of the state's interests in the oil sector are clearly distinguished from its commercial activities. *1.1.4/1.1.5*

20. The SNH is a public-owned public corporation, fully controlled by the state and placed under the authority of the general secretariat of the Office of the President of the Republic. It was entrusted by the government with the task of promoting the development of hydrocarbons and managing the interests of the state in that area. At its creation (Decree 80-086) it was authorized primarily to conduct studies on hydrocarbons, collect and store related information, monitor the execution of oil contracts, provide professional training, and perform commercial and financial operations related to the sector. Since then, this mandate has been broadened (Decree°2008-012) to include the development of export projects in the sector (especially as relates to gas), and it is now authorized to negotiate, in liaison with the ministries responsible for mines, the economy, the environment, and commerce, oil contracts on behalf of the government. The SNH is not involved in refining activities, which are performed by the national refinery (SONARA).

21. Under its mandate, the SNH is responsible for marketing the state's share of oil production, paying oil companies the state's contribution to production costs, and transferring the difference to the state after deducting its other mandated expenses.

The quasi-fiscal activities of the oil sector are limited. Whereas the social expenditure of the oil companies seems marginal, they are required under their oil contract to give preference, all else being equal, to Cameroonian enterprises when awarding contracts for construction and for the provision of services. *1.1.4/1.1.5*

22. Unlike in the case of SNH sales of crude oil to the SONARA, which occur on market terms, bulk sales (i.e., at factory gate) of refined products occur at controlled prices (see para. 5 of the main report). It is noteworthy that in the context of the marketing of refined products, the Hydrocarbon Price Stabilization Fund is financed, off budget, from the surplus generated by the price equalization system (see para. 3 of the main report).

23. Whereas production-sharing contracts generally contain a clause stating that the signatory company will execute social expenditure, the latter appear marginal. It happens, however, that the SNH finances certain budgetary expenditure, which is subsequently regularized in the Treasury accounts. (see para. 27 of the main report).

24. The Oil Code states that oil companies and their subcontractors must give preference, all else being equal, to Cameroonian enterprises when awarding contracts for construction and for the provision of services. Enterprises and their subcontractors are also required to give priority to employing Cameroon nationals. To achieve these objectives, oil companies must, from the beginning of their oil operations, establish and finance programs for the training of Cameroonian personnel. Each mining permit application file must also include a program for ensuring that preference is given to Cameroonian enterprises.

The allocation of natural resource revenue between the central government and the local governments is well defined but limited. *1.1.3*

25. No oil revenue is allocated to the local governments. On the other hand, the Mining Code states that payments by mining companies to meet their budgetary obligations must be collected by the Treasury, but that the ad valorem tax must be shared, with 50 percent going to the Treasury, 25 percent to the population groups affected by the mining activity (10 percent for local residents and 15 percent for the commune responsible for the mining area), and 25 percent to support the monitoring and technical supervision of the activities in question by staff of the directorate responsible for mines. It is noteworthy that neither the latter share nor the expenditure it finances is shown in the government accounts.

III. OPEN BUDGET PROCESSES

The authorities do not systematically prepare medium-term budgetary frameworks that take account of oil resource projections, nor do they conduct analyses of the long-term sustainability of government finance. *2.1.2/2.1.4/3.1.7*

26. Whereas medium-term budgetary frameworks are sometimes prepared in the context of programs with the IMF or of poverty reduction strategy papers, the fiscal approach is essentially annual. The authorities do not conduct any analysis of the long-term sustainability of government finance, aimed, for example, at calculating the level of the nonoil primary deficit that would be sustainable over the long-term. On the other hand, whereas there is no analysis of budget risks, and in particular of those related to oil revenue, a margin of prudence is included in the budget projections of selling prices for Cameroonian oil.

Whereas there are no extrabudgetary funds for natural resource management, the budget law takes no account of the oil revenue allocated to the SNH. Oil revenue passed on to the government follows the normal budget procedures. *2.1.2*

27. The budget law takes into account only the natural resource revenue passed on to the government. It therefore ignores the revenue collected by the SNH on behalf of the government and not passed on to the government, such as oil bonuses or the share of state oil retained by the SNH to meet its operating expenses. Nor does it directly take account of the SNH's own oil revenue, such as the dividends paid for its participation in oil contracts.

28. As explained above (c.f. paragraph 16), the SNH engages in a number of activities of a budgetary nature in the oil sector in the context of the tasks entrusted to it by the government. Whereas the government provides the financing for those activities, neither the expenditure they generate nor the pertinent earmarked revenue can be found in the government accounts. Indeed, instead of passing on to the government all the oil revenue it collects on behalf of the state and receiving government transfers to cover its mandated expenses, the SNH finances the latter expenses by subtracting an equivalent amount equivalent from the oil revenue that it passes on to the government. This net-basis treatment gives a less complete picture of the magnitude of public revenue and expenditure than a treatment on a gross basis would have done.

29. There are no extrabudgetary funds for natural resource management. Oil revenue collected by the government is deposited on the treasury account and is therefore fungible with government revenue from other sources. It thus serves to finance government expenditure in the normal budget framework. As stated above, however, it so happens that the SNH finances its mandated expenses and then repays itself by deducting its expenses from the monthly amount of oil revenue that it has to transfer to the government. In that case, the oil revenue financing its expenses does not pass through the treasury account.

Whereas all the oil revenue collected by the government is shown in the budget documents, only a portion of that revenue is included in the definition of “oil revenue” used in those documents. *2.2.1*

30. Government oil revenue follows the same accounting procedures as other revenue. Whereas the report on the economic, social, and financial position and outlook and the initial budget law clearly identify “oil revenue” as a component of government revenue, the definition used does not cover all oil revenue collected by the government. Indeed, it takes account only of the corporate tax paid by the oil companies and the share of production to which the state is entitled under oil contracts. Other fiscal levies, such as the fixed fees, area tax, proportional royalties, and the additional levy, although included in total government revenue, are not reported as oil revenue.

III. PUBLIC AVAILABILITY OF INFORMATION

The information in the budget documents on natural resource management is incomplete and does not allow for proper analysis of government policy on the mining of natural resources. 3.1.1/3.1.4

31. Whereas the report on the nation's economic, social, and financial position and outlook, attached to the budget law, discusses the latest developments and prospects in the oil sector, the only data available on oil revenue are those related to government "oil revenue," the limitations of which have been stressed.

32. The quasi-fiscal activities of the government, discussed above, are not mentioned in the budget documents. The annual budget documents do not discuss budget risks of any sort whatsoever and thus ignore those related to oil price fluctuations.

The authorities do not systematically present the oil revenue collected by the government or the public sector. The Extractive Industries Transparency Initiative (EITI) Committee publishes data on payments made by the companies. 3.1.4

33. As stated above, whereas all oil revenue collected by the government is shown in the budget documents, only a portion of that revenue is included in the definition of "oil revenue" used in those documents.

34. It is noteworthy that the SNH publishes on its website quarterly data on the production of the various oilfields, the share to which the state is entitled, the revenue generated by the marketing of that share, the costs of the operational activities of the SNH, and transfers to the government.

35. In the context of its exercise of reconciling oil data, the Cameroonian committee established within the EITI framework publishes annual data on payments made by the companies in observance of their budget obligations under oil contracts (see Box).

The budget documents do not refer to any nonoil budgetary balance. 3.2.3

36. The only budgetary balances mentioned in the budget documents, and especially in the report on the nation's economic, social, and financial position and outlook, are the overall balances, on a cash basis. Whereas nonoil balances are used in the context of discussions with the IMF, those balances are not mentioned in the budget documents.

Government financial assets generated by oil revenue cannot be distinguished from its other financial assets. 3.1.5

37. The financial assets of the government consist primarily of its accounts maintained at the BEAC and at the commercial banks, as well as its shareholdings in enterprises. As government revenue is deposited to the treasury account, the share of oil revenue in the

government's financial assets cannot be distinguished. The authorities do not establish estimates of the value of natural resource assets based on expected production flows.

IV. ASSURANCES OF INTEGRITY

The internal control procedures of the SNH are clearly defined, and its financial statements are published. The government is unable to determine without input from the SNH whether the share of production paid to the SNH under the oil contracts is consistent with what is due to it under those contracts. 4.2.5

38. According to the law establishing the general charter of public institutions and enterprises in the public and parapublic sector (Law 99/016), the SNH, as a publicly owned company, is staffed with a financial controller and auditors whose reports it is required to forward to the Ministry of Finance along with their certified annual financial statements and accounts. The SNH publishes those financial statements as well as the auditors' reports on its website (the latest date back to 2007).

39. Whereas the DGI monitors taxes paid to the government under oil contracts, it does not have the expertise needed to ensure that the taxes paid by the SNH for marketing the state's share in oil contracts match with the amounts payable to the government in that regard; it therefore does not play this role. The interministerial committee, which is required to meet on a monthly basis with the SNH to discuss the revenue passed on to the government, does not have the information necessary for reconciling the data. In the absence within it of a unit specialized in financial matters related to oil contracts, the government seems unable to perform that reconciliation. The Audit Office does not have the means either to carry out such reconciliations or to conduct successfully a detailed audit of the accounts of the SNH (see para. 56 of the main report).²⁶

The tax administration has no flexibility in the collection of tax revenue payable under oil contracts. 4.2.6/1.2.1

40. Whereas the exact terms of the tax obligations of oil companies in the context of oil contracts are subject to negotiation during the finalization of those contracts, the tax administration does not have any ex ante flexibility in interpreting those obligations (see para. 12 of the main report). The DGI does not audit nontax revenue collected by the SNH, such as bonuses and the share of production to which the state is entitled.

The SNH publishes accounts annually, following the OHADA accounting standards. 4.3.1/1.1.5

41. The accounts of the SNH and the other oil companies are compiled in accordance with the accounting standards established by the Organization for the Harmonization of Business

²⁶ Whereas the Audit Office has undertaken to carry out an audit of the SNH, it is doing so on the basis of the documents provided by the company, consisting essentially of the company's financial statements without supporting documentation.

Law in Africa (OHADA). Every year, the SNH publishes accounts, certified by its accountants, in accordance with its rules.

The SNH does not submit its accounts to a proper external audit. The only independent exercise to reconcile the financial flows related to oil revenue is that conducted by the EITI Committee, whose last report covers 2005. 4.3.1

42. By law, the statutory bodies of public enterprises as well as the Minister of Finance may request external audits of those public enterprises. In the case of the SNH, auditors from a local audit office carry out an exercise similar to an audit, the results of which are published in the annual report of the SNH and on its website. On the other hand, the company is not subject to external audits by an internationally reputed audit firm.

43. Cameroon's EITI Committee conducts exercises to reconcile payments to the government and to the SNH, reported on a voluntary basis by the oil companies, with the sums the latter declare they have collected. The Committee also reconciles oil-related financial flows between the SNH and the government. It is noteworthy that the reconciliation in question is merely an accounting one. To date, those reconciliation exercises, which covered the period 2001–04 and 2005, have revealed only minor differences between the various accounts submitted to the Committee. The Committee intends to finalize the reports covering 2006, 2007, and 2008 by year-end.

Box A1. The EITI in Cameroon

Cameroon joined the Extractive Industries Transparency Initiative (EITI) in March 2005. The institutional framework for making this initiative a reality was established in June 2005, with the creation, by Prime Minister's decree, of the monitoring committee and a technical secretariat. The monitoring committee is composed of representatives of civil society, Parliament, the decentralized local governments, private oil and mining companies, and the government.

In observance of the prescriptions of the EITI, the committee, following an international call for expressions of interest, recruited the consortium Mazars and Hart Group to reconcile the figures and volumes for the period 2001–04 and 2005. The reports on 2001–04 and on 2005 were published respectively in December 2006 and in March 2007 and have since then been available for consultation on the government website. The same consortium was hired in May 2008 to produce the conciliation reports for fiscal years 2006, 2007, and 2008. To date, a preliminary conciliation report has been transmitted to the Cameroonian authorities, who intend to submit it in early June 2010. The publication of the conciliation report for fiscal years 2006, 2007, and 2008 is scheduled for the third quarter of 2010. The selection process of a conciliator in charge of preparing the report for fiscal year 2009 will be initiated after the publication of this report.

Cameroon has been an alternate member of the EITI Board since the Oslo Conference of October 2006 and an incumbent member since the Doha Conference of February 2009. On September 27, 2007, Cameroon was selected among the countries that had successfully undergone prevalidation and become entitled to submit to the validation procedure. That procedure consists, for the government, of hiring an independent firm, selected from a list established by the EITI Board, to ensure that all the prescriptions in the EITI Source Book are observed during the process. Following their recruitment as validators, the IDL and Synergy Global companies have conducted an assessment missions in January 2010, whose final report is expected to be reviewed by the EITI Executive Board during the third quarter of 2010.

Appendix Table 1. A Summary Assessment of Practices

	Principles and Practices	Summary Assessments	Comments
Clarity of Roles and Responsibilities			
1.1.	The government sector should be distinguished from the rest of the public sector and from the rest of the economy;	<i>Largely Observed</i>	
1.1.1	The structure and functions of government should be clear.	General government is defined consistently with Government Finance Statistics Manual 2001 principles and is partly covered in the budget process.	
1.1.2	The fiscal powers of the executive, legislative, and judicial branches of government should be well defined.	The fiscal roles of the executive, legislative, and judicial branches are clearly defined in law.	
1.1.3	The responsibilities of different levels of government, and the relationships between them, should be clearly specified.	The constitution defines relations between the central government, regions, and communes.	The regions are envisaged in the constitution, but not yet operational.
1.1.4	Relationships between the government and public corporations should be based on clear arrangements.	Relationships between government and the public nonfinancial corporations are clear to some extent.	The status of certain units should be clarified.
1.1.5	Government relationships with the private sector should be conducted in an open manner, following clear rules and procedures.	Government holdings in corporations are extensive their public disclosure is limited. Laws and processes governing government regulation of the nonfinancial private sector are clear but complex.	
1.2.	There should be a clear and open legal, regulatory, and administrative framework for fiscal management.	<i>Largely Observed</i>	
1.2.1	The collection, commitment, and use of public funds should be governed by comprehensive budget, tax, and other public finance laws, regulations, and administrative procedures.	The legal framework for the management of public finances is clear and defined by laws and regulations, some of which are being amended for consistency with the Constitution and with the law on the government financial system.	The 2007 law on the government financials system is a major achievement, though not yet fully implemented. The amendment of laws and regulations needs to be accelerated to avoid contradictions or inconsistencies with the new law on the public finance system.

	Principles and Practices	Summary Assessments	Comments
1.2.2	Laws and regulations related to the collection of tax and non-tax revenues, and the criteria guiding administrative discretion in their application, should be accessible, clear, and understandable. Appeals of tax or non-tax obligations should be considered in a timely manner.	The legislative basis for tax revenue collection is clear. The legislative and regulatory tax framework is clearly defined. Taxpayers' rights are well defined, and appeals against decisions on tax and nontax obligations are considered in a timely way.	
1.2.3	There should be sufficient time for consultation about proposed laws and regulatory changes and, where feasible, broader policy changes.	Public opinion is infrequently sought concerning proposed laws, regulatory changes, and broader policy changes.	
1.2.4	Contractual arrangements between the government and public or private entities, including resource companies and operators of government concessions, should be clear and publicly accessible.	Contractual arrangements between the government and private entities are relatively clear, including the legal and regulatory framework for public-private partnerships.	
1.2.5	Government liability and asset management, including the granting of rights to use or exploit public assets, should have an explicit legal basis.	There is no legislative framework for debt management.	
Open Budget Process			
2.1.	Budget preparation should follow an established timetable and be guided by well-defined macroeconomic and fiscal policy objectives.	<i>Largely Not Observed</i>	
2.1.1	A budget calendar should be specified and adhered to. Adequate time should be allowed for the draft budget to be considered by the legislature.	The budget calendar followed in practice is not formally articulated.	The calendar and a guide on budget preparation should be formalized.
2.1.2 (a)	The annual budget should be realistic, and should be prepared and presented within a comprehensive medium-term macroeconomic and fiscal policy framework.	Multiyear budget forecasts and underlying macroeconomic assumptions are presented summarily in the budget law, but they are disconnected from the annual budgetary process.	Budget preparation on a three-year horizon should be initiated by introducing the concept of rolling program appropriations for capital expenditure. The integration of the operating with the investment budget should be improved to reveal recurrent expenditure resulting from planned and past investment.

	Principles and Practices	Summary Assessments	Comments
2.1.2 (b)	Fiscal targets and any fiscal rules should be clearly stated and explained.	Only the overall balance is shown in the budget documents. There are no fiscal rules.	
2.1.3	A description of major expenditure and revenue measures, and their contribution to policy objectives, should be provided. Estimates should also be provided of their current and future budgetary impact and their broader economic implications.	Fiscal objectives for the year are described in the report on the economic and social outlook attached to the budget law. The future consequences of the measures adopted during the current fiscal year are not explained.	
2.1.4	The budget documentation should include an assessment of fiscal sustainability. The main assumptions about economic developments and policies should be realistic and clearly specified, and sensitivity analysis should be presented.	An assessment of fiscal sustainability is not included in the budget documentation.	Such assessment would be important, in particular with regard to the depletion of oil reserves.
2.1.5	There should be clear mechanisms for the coordination and management of budgetary and extrabudgetary activities within the overall fiscal policy framework.	Mechanisms for the coordination and management of budgetary and extrabudgetary activities are generally well defined but are insufficiently monitored.	
2.2	There should be clear procedures for budget execution, monitoring, and reporting	<i>Largely Observed</i>	
2.2.1	The accounting system should provide a reliable basis for tracking revenues, commitments, payments, arrears, liabilities, and assets.	Accounting and internal control procedures are not entirely effective, and the accounting system does not provide a basis for preparing reliable data on arrears. The widespread existence of "restes à payer" makes it difficult to have a reliable picture of the fiscal situation at any point in time.	An operational definition of arrears should be adopted, and a survey on the stock of arrears should be urgently undertaken, combined with a strategy for their settlement and steps to avoid renewed accumulation. The public expenditure process should be improved to make the use of exceptional procedures unnecessary.
2.2.2	A timely midyear report on budget developments should be presented to the legislature. More frequent updates, which should be at least quarterly, should be published.	The accounting system is capable of producing accurate in-year reports only on central government budget outturn, but such reports are not submitted to Parliament.	
2.2.3	Supplementary revenue and expenditure proposals during the fiscal year should be presented to the legislature in a manner consistent with the original budget presentation.	The law holds that revisions to revenue and expenditure during the fiscal year should be the subject of supplementary budgets.	This procedure is rarely used.
2.2.4	Audited final accounts and audit reports, including reconciliation with the approved budget,	The final accounts are prepared with an excessive lag. The budget review law is not	The accounting complementary period cutoff date should be enforced. The budget review law should

	Principles and Practices	Summary Assessments	Comments
	should be presented to the legislature and published within a year.	consistent with legal provisions.	be brought in line with legal provisions.
Public Availability of Information			
3.1	The public should be provided with comprehensive information on past, current, and projected fiscal activity and on major fiscal risks.	<i>Largely Observed</i>	
3.1.1	The budget documentation, including the final accounts, and other published fiscal reports should cover all budgetary and extrabudgetary activities of the central government.	The budget documents cover central government fiscal activities and provide partial data on general government; defense expenditure is fully integrated in the budget.	The revenue and expenditure allocated to entities that are outside the scope of the budget should be integrated. A complete survey of extrabudgetary activities should be undertaken in the short-term. The budget should be supplemented with all currently missing documents.
3.1.2	Information comparable to that in the annual budget should be provided for the outturns of at least the two preceding fiscal years, together with forecasts and sensitivity analysis for the main budget aggregates for at least two years following the budget.	The budget documents in the annexes to the draft budget law contain very little information on the previous budget years and none on the years beyond the ongoing year.	Forecasts should be compared to previous years' outcomes rather than forecasts.
3.1.3	Statements describing the nature and fiscal significance of central government tax expenditures, contingent liabilities, and quasi-fiscal activities should be part of the budget documentation, together with an assessment of all other major fiscal risks.	Fiscal risks are not analyzed in the budget context. QFAs are not very important, and their estimated cost is not included in the budget documentation.	
3.1.4	Receipts from all major revenue sources, including resource-related activities and foreign assistance, should be separately identified in the annual budget presentation.	Receipts from major revenue sources are identified individually.	
3.1.5	The central government should publish information on the level and composition of its debt and financial assets, significant nondebt liabilities (including pension rights, guarantee exposure, and other contractual obligations), and natural resource assets.	Partial information is published on gross public debt. Information on nondebt liabilities and financial assets is not published.	
3.1.6	The budget documentation should report the fiscal position of subnational governments and the finances of public corporations.	The budget documentation does not provide the fiscal position of subnational governments but presents the financial statements of public corporations.	The budget documents should add information on general government accounts.

	Principles and Practices	Summary Assessments	Comments
3.1.7	The government should publish a periodic report on long-term public finances.	The authorities occasionally conduct and publish long-term fiscal analyses.	
3.2	Fiscal information should be presented in a way that facilitates policy analysis and promotes accountability.	<i>Largely Not Observed</i>	
3.2.1	A clear and simple summary guide to the budget should be widely distributed at the time of the annual budget.	There is no guide to the budget; after the budget law has been enacted, only a summary of it is published in the official gazette.	
3.2.2	Fiscal data should be reported on a gross basis, distinguishing revenue, expenditure, and financing, with expenditure classified by economic, functional, and administrative category.	The budget classifications are broadly consistent with international standards.	
3.2.3	The overall balance and gross debt of the general government, or their accrual equivalents, should be standard summary indicators of the government fiscal position. They should be supplemented, where appropriate, by other fiscal indicators, such as the primary balance, the public sector balance, and net debt.	Only the overall balance is shown in the budget documents.	
3.2.4	Results achieved relative to the objectives of major budget programs should be presented to the legislature annually.	The objectives and expected results of government activities are described in general terms.	
3.3	A commitment should be made to the timely publication of fiscal information.	<i>Largely Not Observed</i>	
3.3.1	The timely publication of fiscal information should be a legal obligation of the government.	The bulk of fiscal information is available to the public. Budget execution details are published with a lag of two years in the budget review law.	
3.3.2	Advance release calendars for fiscal information should be announced and adhered to.	The authorities have not formally undertaken to provide the information by announcing a publication timetable.	
Assurance of Integrity			
4.1	Fiscal data should meet accepted data quality standards.	<i>Largely Observed</i>	
4.1.1	Budget forecasts and updates should reflect recent revenue and expenditure trends,	Budget forecasts appear optimistic, but the variance between budgeted and actual cash-	

	Principles and Practices	Summary Assessments	Comments
	underlying macroeconomic developments, and well-defined policy commitments.	basis outturns of the main fiscal aggregates is disclosed to the public.	
4.1.2	The annual budget and final accounts should indicate the accounting basis used in the compilation and presentation of fiscal data. Generally accepted accounting standards should be followed.	Statements on accounting policy are not included in the budget documentation nor the final accounts.	
4.1.3	Data in fiscal reports should be internally consistent and reconciled with relevant data from other sources. Major revisions to historical fiscal data and any changes to data classification should be explained.	The process of reconciling budget execution data has been generally improved, but there is some fragmentation of cash management.	
4.2	Fiscal activities should be subject to effective internal oversight and safeguards.	<i>Largely Observed</i>	
4.2.1	Ethical standards of behavior for public servants should be clear and well publicized.	Civil servants are subject to a well-defined code of conduct; however, penalties are rarely imposed.	
4.2.2	Public sector employment procedures and conditions should be documented and accessible to interested parties.	Civil service recruitment procedures are clear.	
4.2.3	Procurement regulations, meeting international standards, should be accessible and observed in practice.	Procurement rules meet international standards but are not, in practice, strictly followed.	The Public Procurement Code should be enforced and real controls for the technical and financial monitoring should be performed.
4.2.4	Purchases and sales of public assets should be undertaken in an open manner, and major transactions should be separately identified.	The legal framework for privatization is clear, but privatization processes lack transparency in some cases.	
4.2.5	Government activities and finances should be internally audited, and audit procedures should be open to review.	Internal audits take place at several levels, but their effectiveness is somewhat limited.	
4.2.6	The national revenue administration should be legally protected from political direction, ensure taxpayers' rights, and report regularly to the public on its activities.	The tax administration does not have legal protection from political interference. The tax administration does not have effective internal monitoring and control mechanisms.	
4.3	Fiscal information should be externally scrutinized.	<i>Largely not Observed</i>	
4.3.1	Public finances and policies should be subject to scrutiny by a national audit body or an equivalent	The jurisdictional control of the Audit Office is independent of the executive, and, in principle,	The preparation of the budget review law should follow the prescribed procedure and time frame.

	Principles and Practices	Summary Assessments	Comments
	organization that is independent of the executive.	its mandate covers all public sector activities. In practice, the functioning of the Audit Office is hampered by a lack of staff and by inability to enforce the rules. An internal audit is also performed by the CONSUPE, which is not independent of the executive branch.	Capacity at the Audit Office should be enhanced, and its mandate expanded to allow performance auditing. A proper external audit should be conducted.
4.3.2	The national audit body or equivalent organization should submit all reports, including its annual report, to the legislature and publish them. Mechanisms should be in place to monitor follow-up actions.	Audit reports are not submitted to Parliament and are not published.	Audit reports should be widely disseminated and follow-up ensured.
4.3.3	Independent experts should be invited to assess fiscal forecasts, the macroeconomic forecasts on which they are based, and their underlying assumptions.	The National Institute of Statistics has partial independence.	
4.3.4	A national statistical body should be provided with the institutional independence to verify the quality of fiscal data.	The National Institute of Statistics validates and uses the fiscal data received from the Ministry of Finance but does not verify their quality.	

Appendix Table 2. Public Availability of Information—A Summary

	Budget and Fiscal Report Element	Included in Budget/report Documents	Available to the Public	Para. Ref.	Code Ref.
1.	Central Government (CG) budget estimates	Yes	Yes	32, 33	3.1.1
2.	CG Defense Expenditures	Yes	Yes	32	3.1.1
3.	CG EBFs (including special development funds, social security funds, resource revenue funds)	Transfers to EBF are included. A list of EPAs is included in the budget annex	No	32	3.1.1
4.	CG Budget outturns	Yes, but in an aggregated form for the past 5 years. Details are provided for the year N-1 budget (not outturn)	Yes, on request	32	3.1.2
5.	CG Budget forecasts	No	No	35	3.1.2
6.	CG Contingent liabilities	No	No	36	3.1.3
7.	CG Tax Expenditures	No, except for foreign-financed projects with domestic counterpart funds	Yes, on request, for the part included in the budget	13	3.1.3
8.	CG QFAs	No	No	37	3.1.3
9.	Macroeconomic assumptions	Included the budgetary document prepared by the Directory of Forecasting which has medium-term macroeconomic assumptions.	Yes, on request	22	2.1.2
10.	Analysis of fiscal risks/sensitivity analysis	No	No	36	3.1.3
11.	CG Debt	Yes	Yes, on request	38	3.1.5
12.	CG Financial Assets	Partially: the Budget law annex contains a list of public participation in public and semi-public enterprises, with some figures on the equity and turnover.	Yes, on request	40	3.1.5

13.	Sustainability Analysis	Partially in the context of the PRSP	PRSP	41	3.1.7
14.	General government budget estimates	No	No	34	3.1.6
15.	CG Monthly/quarterly reports on fiscal outturn	Quarterly reports are reported in the press, periodically with varying degrees of timeliness	Published in the press, but information very aggregated	26, 31	3.3.1
16.	General government Monthly/quarterly reports on fiscal outturn	No	No	34	3.3.1
17.	CG Final Accounts	The Budget review law includes final accounts for the year N-2. So far they have not been audited by the Court but the authorities indicated that this would change next year.	Yes	29	2.2.4
18.	Consolidated general government Final Accounts	No	No	NA	2.2.4/3.2.3