

REPUBLIQUE DU CAMEROUN
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REPUBLIC OF CAMEROON
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MINISTRY OF FINANCE

EITI FOLLOW-UP COMMITTEE



Extractive Industries Transparency Initiative in Cameroon

EITI REPORT 2019 (EXECUTIVE SUMMARY)

November 2021



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1 Executive Summary

1.1 Introduction

1.1.1 Context

The Extractive Industries Transparency Initiative (EITI)¹ is a voluntary mechanism aimed at strengthening the good governance of public revenues derived from extractions in countries rich in oil, gas, and mining resources.

The EITI requires the annual publication of EITI Reports, including the disclosure of significant state revenues from the extractive industries, as well as the disclosure of all significant payments made to the Government by Oil, Gas and Mining Companies.

Cameroon has so far published fourteen (14) EITI Reports covering the period from 2001 to 2018. BDO has been appointed by the EITI Committee as Independent Administrator (IA) for the preparation of the 15th EITI Report covering the year 2019.

1.1.2 Mandate of the Independent Administrator (IA)

The mandate of the IA mainly covers:

- collecting contextual and financial data from reporting entities.
- compilation and reconciliation of data reported by extractive companies and by the government.
- investigation of the discrepancies identified during the reconciliation work; and
- preparation of the EITI Report in accordance with the EITI Standard and the Terms of Reference.

1.1.3 Participants in the 2019 EITI Report

Government entities receiving significant revenues from extractive companies and a selection of companies making these payments were asked to participate in the process of reconciling financial data with production and export data and to provide contextual information on the extractive sector.

Government entities and companies involved in the reconciliation work are listed in Section 4.9.2 of the full version of this report.

The mission was carried out with the support of the Permanent Secretariat and under the supervision of the EITI Committee.

1.1.4 Limitations of the 2019 EITI Report

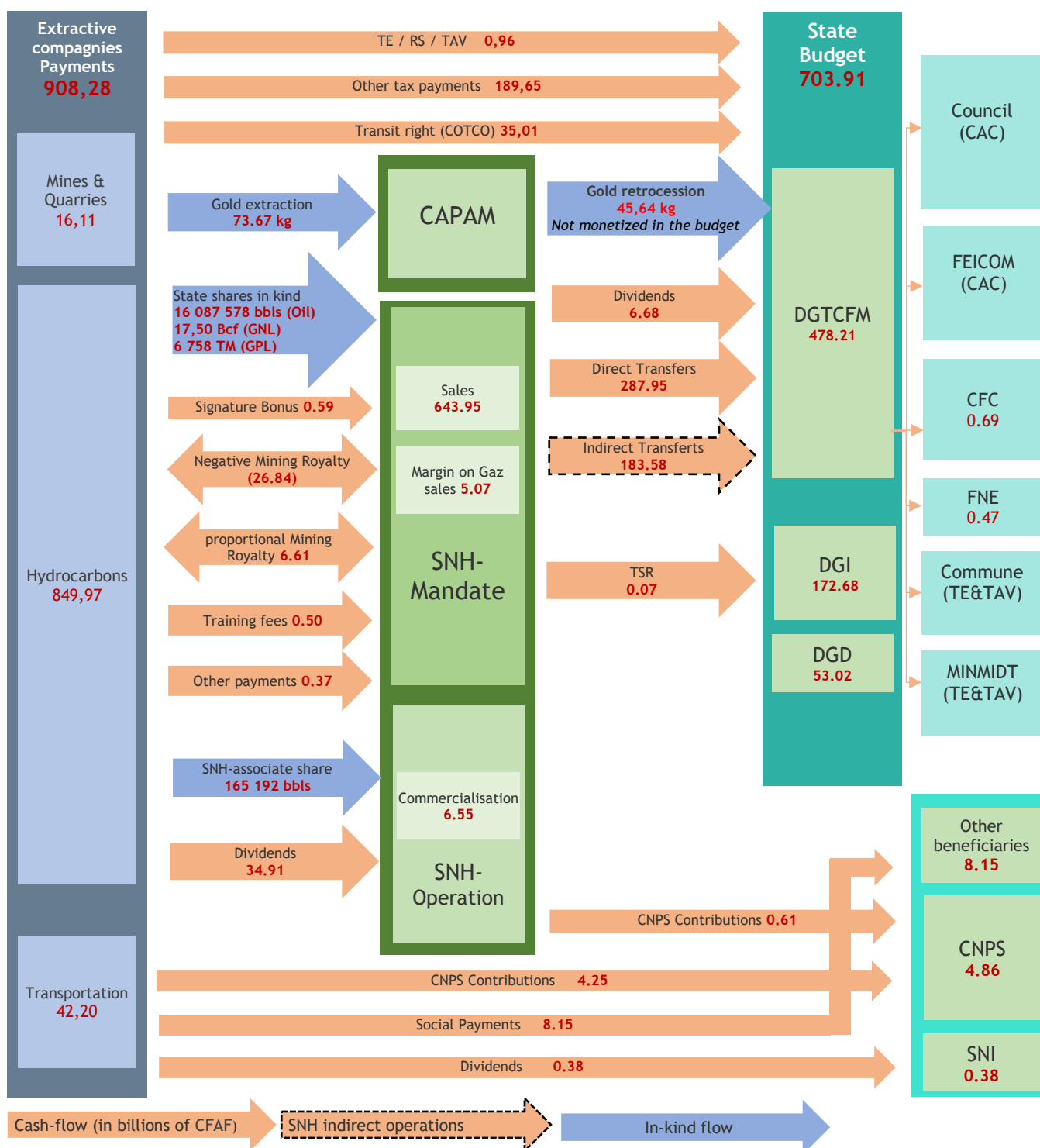
The findings in this report are based on financial data for 2019, as well as subsequent major reforms and events up to the date of this report. These conclusions cannot therefore be extrapolated beyond this period since the laws and the context governing the extractive sector may be subject to subsequent changes.

¹ <https://eiti.org/fr>

1.2 Key figures of the EITI Report 2019

1.2.1 Revenues from the extractive sector

Graphic 1 - Revenues from the extractive sector



- Payments by extractive companies for 2019 reached a value of CFAF 908.28 billion, of which CFAF 261.91 billion are made in cash and 646.37 billion in kind.
- Payments in kind correspond to production shares accruing to the State and SNH valued at CFAF 645.01 billion and levies for artisanal gold mining valued at CFAF 1.36 billion.
- Payments in kind from the hydrocarbon sector in the form of a production share are removed, marketed, and then collected by SNH. The production shares due to the State (SNH-Mandate) for 2019 amounted to 16,087,578 bbls for oil, 17.50 Bcf for LNG and 6,758 MT for LPG valued at CFAF 639.35 billion. The production shares accruing

- to SNH (SNH-Operation) for the same year amounted to 165,192 bbls valued at CFAF 5.66 billion.
- The marketing of State and SNH production shares brought in respectively CFAF 649.02 billion (for SNH-Mandate) and CFAF 6.55 billion (for SNH-Operation).
 - In addition to the proceeds from the sale of payments in kind, SNH-Mandate disbursed to oil companies an amount of CFAF 18.77 billion and collected cash income for its own account (SNH-Operation) for an amount of CFAF 33.57 billion bringing the value of the net income collected for 2019 by SNH-Mandate and SNH-Operation to CFAF 630.25 billion and CFAF 40.12 billion respectively.
 - Payments in kind from the gold mining sector total a volume of 73.670 kg valued at CFAF 1.36 billion. The gold withdrawals are carried out by CAPAM which then proceeds to retrocession of the Gold collected to MINFI. Retrocessions to MINIFI for 2019 total 45.64 kg for a value of CFAF 0.84 billion. The retrocessions made were not monetized by MINFI and the equivalent value was therefore not noted among the budget revenue for the year 2019.
 - The revenue collected from the state budget for 2019 reached an amount of CFAF 703.91 billion, or 77.5% of total payments from extractive companies during the same period.
 - Out of the CFAF 703.91 billion of income returned to the State budget in 2019, transfers from SNH-Mandate come in 1st place and represent 66.99% of said income (i.e., CFAF 471.53 billion), followed of the Oil Company Tax 17.12%, (i.e., CFAF 120.48 billion), the transit rights come in 3rd position and represent for their part 4.97% and the other revenues 10.92%.
 - Transfers from the SNH-Mandate to the State budget were made by direct payment (direct transfer) to the treasury account for an amount of CFAF 287.59 billion and by the assumption of budgetary expenditure (transfers indirect) for an amount of CFAF 183.58 billion.
 - Transfers from SNH-Mandate 2019 represented 74.8% of total revenue collected on behalf of the State for the same period. The difference corresponds to the deductions made by SNH to cover the State's share (contracting party) in the oil strikes and the financing of investment activities.

1.2.2 Payments from extractive companies

In 2019, cash payments made by extractive companies reached CFAF 261.91 billion. Payments in kind made during the same period were valued at CFAF 646.37 billion², bringing the total payments made by Extractive companies during 2019 to a value of CFAF 908.28 billion.

Petroleum companies account for the bulk of these payments with 93.58%. SNH, DGI and DGD represent the main destinations for these payments.

Table 1 - Statement of Extractive Industry Payments by Government Agency

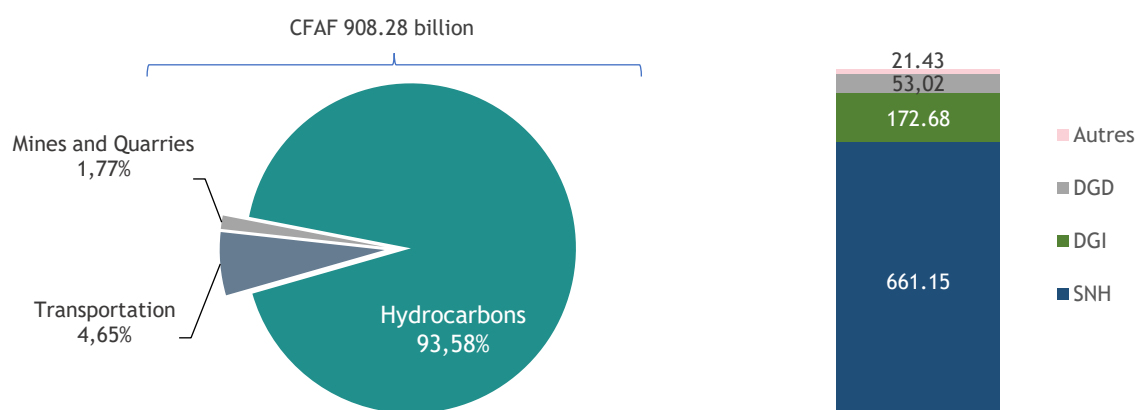
| (In billions of CFAF) | Hydrocarbons | | Transportation | Mines and Quarries | | Total sector | | Total | Share in % |
|------------------------|---------------------------|---------------|----------------|--------------------|--------------|---------------|---------------|---------------|----------------|
| | In kind | In cash | In cash | In kind | In cash | In kind | In cash | | |
| SNH - Mandate (*) | 639,35 | (18,77) | - | - | - | 639,35 | (18,77) | 620,58 | 68,32% |
| SNH - Operation | 5,66 | 33,57 | 1,34 | - | - | 5,66 | 34,91 | 40,57 | 4,47% |
| Total SNH | 645,01 | 14,80 | 1,34 | - | - | 645,01 | 16,14 | 661,15 | 72,79% |
| DGI | - | 168,14 | 3,81 | - | 0,73 | - | 172,68 | 172,68 | 19,01% |
| DGD | - | 5,26 | 36,29 | - | 11,47 | - | 53,02 | 53,02 | 5,84% |
| DGTCFM | - | 6,68 | - | - | - | - | 6,68 | 6,68 | 0,74% |
| CNPS | - | 2,31 | 0,44 | - | 2,11 | - | 4,86 | 4,86 | 0,54% |
| CAPAM | - | - | - | 1,36 | - | 1,36 | - | 1,36 | 0,15% |
| MINMIDT | - | - | - | - | - | - | - | - | - |
| SNI | - | - | - | - | 0,38 | - | 0,38 | 0,38 | 0,04% |
| Social Payments | - | 1,32 | 0,01 | - | 0,06 | - | 1,39 | 1,39 | 0,15% |
| Environmental payments | - | 6,45 | 0,31 | - | - | - | 6,76 | 6,76 | 0,74% |
| Total | 645,01³ | 204,96 | 42,20 | 1,36 | 14,75 | 646,37 | 261,91 | 908,28 | 100,00% |
| Share in % | 93,58% | | 4,65% | 1,77% | | 71,16% | 28,84% | | |

(*) excluding direct and indirect transfers from SNH mandate.

² Valuation of in-kind oil payments at the market price and in-kind payments of gold at CFAF 18.500/gram

³ Details by type of revenue, by company and by substance are presented in Table 99 in section 5.3 of the full version of the report.

Graphic 2 - Payments from extractive companies



1.2.3 Contribution of the Extractive Sector on the State Budget

In 2019, the extractive sector generated CFAF 703.91 billion for the State budget revenues (USD 1 199.23 million⁴) against CFAF 568.32 billion in 2018, 23.86% higher than for the comparable period last year. This is mainly explained by the increase of the direct and indirect transfers of the SNH-mandate to the State Budget, which have achieved the CFAF 471.53 billion in 2019 against CFAF 413.32 billion in 2018, an increase of 14.08% over the same period last year.

The sector of Hydrocarbons extraction nevertheless remains the main contributor with a total of CFAF 651.61 billion representing 92.57% of the total budgetary revenue generated by the extractive sector in 2019.

Table 2 - Statement of State budget revenues by sector

| (In billions of CFAF) | 2018 | | 2019 | | Evolution | |
|--------------------------------|---------------|-------------------|---------------|-------------------|---------------|---------------|
| | amount | contribution in % | amount | Contribution in % | Amount | In % |
| Hydrocarbon's extraction | 533,7 | 93,91% | 651,61 | 92,57% | 117,91 | 22,09% |
| Transportation of hydrocarbons | 33,38 | 5,87% | 40,10 | 5,70% | 6,72 | 20,13% |
| Mines and Quarries | 1,24 | 0,22% | 12,20 | 1,73% | 10,96 | 884,17% |
| Total | 568,32 | 100% | 703,91 | 100,00% | 135,59 | 23,86% |

In terms of flows, transfers from SNH-Mandate, which mainly come from the Sale government shares in the oil fields, are the main contributors with 66.99% of total budgetary revenues from the extractive sector, followed by oil and transit rights (COTCO) which represent respectively 17.12% and 4.97% of extractive revenues.

Table 3 - Statement of State budget revenue by flow

| (In billions of CFAF) | 2018 | | 2019 | | Evolution | |
|-------------------------|---------------|-------------------|---------------|-------------------|---------------|---------------|
| | Amount | contribution in % | amount | Contribution in % | Amount | in% |
| SNH-Mandate transfers | 413,32 | 72,73% | 471,53 | 66,99% | 58,21 | 14,08% |
| Petroleum CIT | 84,3 | 14,83% | 120,48 | 17,12% | 36,18 | 42,92% |
| Transit charges (COTCO) | 29,54 | 5,20% | 35,01 | 4,97% | 5,47 | 18,53% |
| Other tax revenue | 41,16 | 7,24% | 76,88 | 10,92% | 35,72 | 86,78% |
| Total | 568,32 | 100% | 703,90 | 100,00% | 135,58 | 23,86% |

⁴ Average Annual Price 2019, BEAC.

1.2.4 Data quality and reliability

In accordance with the data assurance procedures agreed with the EITI Committee as detailed in section 4.9.9.6 of the full version of this report. The results of these procedures are as follows:

| Evaluation of insurance | Signed EITI Statement | Certified EITI Statement | Certified 2019 accounts | Number | Contribution in payments (in %) |
|--------------------------------|-----------------------|--------------------------|-------------------------|-----------|---------------------------------|
| Low | Yes/No | No | Yes/No | 0 | 0,00% |
| Medium | Yes | Yes | No | 11 | 24,61% |
| High | Yes | Yes | Yes | 5 | 75,39% |
| Overall assessment | | | | 16 | 100,00% |
| Overall assurance level | | | | | High |

- For the financial authorities and public entities of the State:

| Signed EITI Declaration | Number | Contribution in payments (%) | Evaluation of insurance |
|-------------------------------------|----------|------------------------------|-------------------------|
| Unsigned and unattested declaration | 3 | 0,74% | Low |
| Declaration signed but not attested | - | - | Medium |
| Declaration signed and attested | 3 | 99,26% | High |
| Évaluation globale | 6 | 100% | High |

1.2.5 Production and export

Crude oil accounts for most of the production and export of the extractive sector in Cameroon, followed by gas and gold. The details of production and exports are set out as follows:

Table 4 - Summary of production and exports of the extractive sector

| Commodity | Unit | Production | | Export | |
|--|-----------------|------------|-------------------------|--------|-------------------------|
| | | Volume | Value (In billion CFAF) | Volume | Value (In billion CFAF) |
| Crude oil | Billion Barrels | 24,93 | 948,45 | 25,08 | 947,07 |
| Condensate | Billion Barrels | 1,07 | 35,28 | 1,24 | 40,90 |
| Gas | Bcf | 73,96 | 297,03 | 47,47 | 197,52 |
| Gas - GPL | Metric Ton | 24 488,97 | 6,90 | - | - |
| Total Hydrocarbons sector | | | 1 287,66 | | 1 185,49 |
| Gold | Kilogram | 341,05 | 6,31 | 33,25 | 0,62 |
| Diamond | Carat | 1 736,52 | 0,15 | 654,92 | 0,04 |
| Aggregates & sands | Cubic meter | 366 233,03 | 3,92 | - | - |
| Clay | Ton | 4 814,00 | 0,00 | - | - |
| Limestone | Ton | 170 940,80 | 0,03 | - | - |
| Pozzolan | Ton | 274 200,45 | 0,063 | - | - |
| Sand | Ton | 16 320,00 | 0,00 | - | - |
| Total Mining and Quarrying Sector | | | 10,47 | | 0,66 |
| Total extractive sector | | | 1 298,13 | | 1 186,15 |

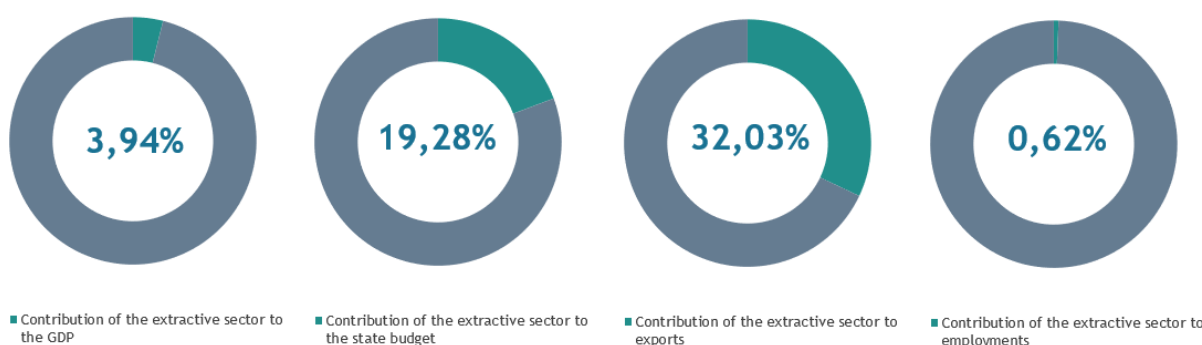
The details of production and exportations are presented in section 4.8 of the full version of this report.

1.2.6 Contribution to the economy

The table below shows that in 2019, the contributions of the extractive sector to nominal GDP and employment increased slightly compared to those of 2018. The contribution of the extractive sector to the budget of the State and to exports, for their parts, increased in 2019 respectively by 03,15% and 05,79% compared to 2018.

Table 5 - Contribution of the extractive sector to the economy

| | 2018 | 2019 | Variation 2018-2019 |
|------------|--------|--------|---------------------|
| GDP | 3,93% | 3,94% | 0,01% |
| Income | 16,13% | 19,28% | 3,15% |
| Export | 26,24% | 32,03% | 5,79% |
| Employment | 0,60% | 0,62% | 0,02% |



1.3 Main findings

1.3.1 Data comprehensiveness

All the extractive companies selected in the scope have submitted their declarations.

With the exception of the declaration on sub-national transfers for revenues collected at the level of the Divisional Tax Centers attached to the DGI, all government entities selected in the scope have submitted their declarations.

1.3.2 Results of the reconciliation work

The reconciliation of payments was carried out on the basis of the perimeter decided by the EITI Committee as presented in section 4.9 of this Report. The reconciliation exercise covered 99.91% of all cash flow payments and 79% of all in-kind flow payments. Details by sector are presented in Section 3.2 of the full version of this report.

The discrepancies in cash that could not be reconciled amounted to CFAF (11.99) billion, or the equivalent of 1.66% of the revenue reported by the government. These discrepancies are below the acceptable error threshold set at 2% by the EITI Committee. The reconciliations carried out tend to confirm the quality and reliability of the EITI declarations of the State and the Companies presented in this EITI Report. The following table presents a summary of the reconciliation work.

Table 6 - Summary of cash-flow reconciliation

| In billions of CFAF | Hydrocarbon's extraction (i) | Transportation of hydrocarbons (ii) | Mines & Quarries (iii) | Total extractive sector |
|----------------------|------------------------------|-------------------------------------|------------------------|-------------------------|
| Extractive companies | 668,98 | 41,95 | 1,67 | 712,60 |
| Government | 668,59 | 41,89 | 14,12 | 724,59 |
| Difference | 0,39 | 0,06 | (12,44) (*) | (11,99) |
| % Difference | 0,06% | 0,15% | -88,16% | -1,66% |

(*) This difference mainly corresponds to the customs duties declared by the DGD and which are collected from DANGOTE for a total of CFCA 10.87 billion. The company did not report these payments, specifying that they relate to the import of mining inputs and not to extractive operations. These payments were the subject of several requests for clarification from the DGD, but they were maintained in its final declaration.

(i) Hydrocarbon's extraction

| Aggregate payments (In billions of CFAF) | Initial declaration | Conciliation adjustments | Adjusted declaration |
|---|------------------------|--------------------------|-------------------------|
| SNH-Mandate - State | | | |
| SNH-Mandate | 478,21 | - | 478,21 |
| Government | 478,21 | - | 478,21 |
| Difference | - | - | - |
| Oil companies - State | | | |
| Oil companies (including SNH Operation) | 179,91 | (3,82) | 176,09 |
| Government | 176,14 | (0,44) | 175,70 |
| Difference | 3,77 | (3,39) | 0,39 |
| Oil companies - SNH-State | | | |
| Oil companies | (19,77) | 0,87 | (18,89) |
| SNH-Mandate | (28,10) | 9,21 | (18,89) |
| Difference | 8,33 | (8,33) | - |
| Oil companies - SNH-Operation | | | |
| Oil companies | 34,91 | - | 34,91 |
| SNH-operation | 34,91 | - | 34,91 |
| Difference | - | - | - |

(ii) Transportation of hydrocarbons

| Aggregated payments (In billions of CFAF) | Initial declaration | Conciliation adjustments | Adjusted declaration |
|--|------------------------|-----------------------------|-------------------------|
| COTCO - State | | | |
| COTCO | 40,34 | 0,27 | 40,61 |
| Government | 40,54 | - | 40,54 |
| Difference | (0,21) | 0,27 | 0,06 |
| COTCO - SNH-Operation | | | |
| COTCO | 1,34 | - | 1,34 |
| SNH-operation | 1,34 | - | 1,34 |
| Difference | - | - | - |

(iii) Mining and Quarrying:

| Aggregated payments (In billions of CFAF) | Initial declaration | Conciliation adjustments | Adjusted declaration |
|--|------------------------|-----------------------------|-------------------------|
| Companies - State | | | |
| Companies | 4,09 | (2,42) | 1,67 |
| Government | 19,70 | (5,58) | 14,12 |
| Difference | (15,61) | 3,17 | (12,44) |

Table 7 - Summary of in-kind payment reconciliation

(i) Liquid Hydrocarbons

| Aggregated payments (In barrels) | Initial declaration | Conciliation adjustments | Adjusted declaration |
|---|------------------------|-----------------------------|-------------------------|
| Extractive companies - SNH-State | | | |
| Extractive companies | 16 089 055 | - | 16 089 055 |
| SNH-Mandate | 16 087 578 | - | 16 087 578 |
| Difference | 1 478 | - | 1 478 |
| Extractive companies - SNH-Operation | | | |
| Extractive companies | 165 191 | - | 165 191 |
| SNH-operation | 165 192 | - | 165 192 |
| Difference | (1) | - | (1) |

(ii) Gas Hydrocarbons

| Aggregated payments (In MSCF) | Initial declaration | Conciliation adjustments | Adjusted declaration |
|---|------------------------|-----------------------------|-------------------------|
| Extractive companies - SNH-State | | | |
| Extractive companies | 18 204 615 | - | 18 204 615 |
| SNH-Mandate | 18 204 615 | - | 18 204 615 |
| Difference | - | - | - |

| Aggregated payments (In TM) | Initial declaration | Conciliation adjustments | Adjusted declaration |
|---|------------------------|-----------------------------|-------------------------|
| Extractive companies - SNH-State | | | |
| Extractive companies | 6 758 | - | 6 758 |
| SNH-Mandate | 6 758 | - | 6 758 |
| Écart | - | - | - |

1.3.3 Reliability of data

The assurance procedures agreed by the EITI Committee, the general framework of audit practices in Cameroon as well as the assessment of the reliability of the data are detailed in Section 4.9.9 of the full version of this report.

On the basis of the work carried, the EITI data presented under this report presents fairly, in all material respects, the revenues received by Cameroon from oil, gas and mining companies.

1.4 Recommendations

| N° | Exigence | Recommandations | Priority level | Structure concerné |
|----|--|--|----------------|------------------------|
| 1 | Requirement 4.9 Data quality and quality assurance | Certified financial statements of extractive companies: Raise awareness among reporting companies to provide audit evidence of their financial statements as part of the EITI reporting process | 1 | EITI Committee |
| 2 | Requirement 4.9 Data quality and quality assurance | Differences between data certified by the chamber of accounts and data adjusted by the Independent Administrator: Systematically communicate the adjustments identified by the Independent Administrator to the chamber of accounts | 2 | DGI/DGD |
| 3 | Requirement 4.9 Data quality and quality assurance | Observations made by the chamber of accounts in the report on the certification of the financial statements of the financial authorities: Resolve the substantive and formal observations noted by the Chamber of Accounts in Certification Act No. 001/2021/CDC/CSC certifying the forms for the declaration of revenues from the extractive sector for the 2019 financial year of the financial authorities. | 2 | DGI/DGD/DGTCFM |
| 4 | Requirement 6.2 Contribution of the extractive sector to the economy | Publication of statistics on employment in the extractive sector: Establish a procedure to periodically publish employment data on the extractive sector in Cameroon and make it available in a format that facilitates exploitation and consultation by the general public. | 2 | INS |
| 5 | Exigences 5 & 6.2 & 2.6 | Regularity of the charges for SNH's direct interventions in the budget accounts Include in the scope of the next report the verification of the conformity of regularized expenditures with the state budget and the regularity of the procedure for their regularization in the state accounts. | 1 | EITI Committee /DGTCFM |

The details of the recommendations of the 2019 EITI report as well as the follow-up to the recommendations of the previous reports are presented in section 7 of the full version of this report.