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ECONOMIC AND STRATEGIC POLICY BRIEF

#10

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FINANCIAL ENGINEERING AND ALTERNATIVE FINANCING OF AFRICAN ECONOMIES: WHAT IS THE ECONOMIC EFFICIENCY OF THE CENTRAL AFRICAN FINANCIAL MARKET?

ACT I. THE CASE OF CAMEROON'S BOND ISSUE

A CAUSAL APPROACH TO EFFICIENCY ANALYSIS

The Third International Conference on Financing for Development (FFD3) held in Addis-Ababa (Ethiopia) from June 13 to 16 2015 and organized by the UN (prior to launching the 2030 agenda of the SDGs) had recommended, among other things, finding new sources of financing for (african) economies outside conventional mechanisms that were gasping for breath. Among these innovative financing sources, financial markets are prominent.

As a reminder, the FFD3 final communique states among other things that “the Conference examined all sources of financing for sustainable development to ensure that resources go where they are most needed to promote economic prosperity and improve health, education and employment while protecting the environment”.

In this context, particularly in Central Africa, after many years of argument and negotiations, the 02 stock markets in the CEMAC, namely the Douala Stock Exchange (DSX) in Douala and the Central African Stock Exchange (BVMAC) in Libreville ended up merging into a single stock market, in line with the political commitments made by leaders to boost sub-regional integration. The BVMAC (newlook) headquartered in Douala was therefore born on July 05, 2019.

On the basis of this opportunity to finance the economies of the sub-region, and following the lukewarm response of companies to these new financing mechanisms, Governments have contributed to stimulate this financial market, notably by issuing bonds.





The first listing was launched on August 13, 2008 in the form of a bond issued by the Gabonese Government.

In this regardant in line with its mission to support the Government in formulating and assessing public policies, the Cameroon Policy Analysis and Research Center (CAMERCAP-PARC) has taken the opportunity of this snapshot to assess the effectiveness of this new way of financing economies in Central Africa. Ideally, the project should cover the entire sub-region, but realism

and gradual approach prevailed, prompting us to begin the exercise locally by examining the case of Cameroon. Hence the act one. Subject to the availability of required data, act 2 will subsequently cover the entire CEMAC sub-region;

Naturally, Cameroon has so far been the most active country with around ten bonds. The most significant are listed below. The 2017 bond having been cancelled and another one for CFA15 billion francs not examined.

Table 1 : Cameroon’s bond issues since 2010, in billions of CFA Francs.

No.	Date	Description	Amount requested	Amount received	% recovery	Number of projects
1	2010	ECMR 5.6% (2010-2015)	200	203.00	101.5	13
2	2013	ECMR 5.9% (2013-2018)	50	80.00	160.0	03
3	2014	ECMR 5.50% (2014-2019)	150	153.00	102.0	21
4	2016	ECMR 5.50% (2016-2021)	150	165.00	110.0	14
5	2018	ECMR 5.6% (2018-2023)	150	204.21	136.1	38
6	2022	ECMR 6.25% Net (2022-2029)	200	231.38	115.7	52
7	2023	ECMR-2023/ Multiple tranches	150	176.60	117.7	41
TOTAL			1050	1213.19	115.5	//

Source : ompiled by CAMERCAP-PARC

So, after more than 10 years of practice, and a little over CFA1,200 francs mobilized by these new financing mechanisms, it seemed appropriate to stop for a moment as far as Cameroon is concerned. Any action, activity, policy or strategy deserves an assessment after a certain period. There is the need to take a retrospective look at the road travelled, evaluating and assessing the results obtained, understanding the difficulties and the obstacles in order to better plan for the future.

In terms of methodology, we decided to use a practical and operational approach that can be understood by all. Ordinary citizens, who are actors and beneficiaries of development actions carried out by the Government on their behalf, deserve to be informed and educated. To this end, it seemed to us that an efficiency analysis was appropriate. In other words, how has this mechanism made it possible to achieve the expected results under the best conditions than the conventional financing? An analysis of the results chain of the projects identified and targeted for funding.

Advantages of bond issues over other forms of financing.

Without overstating the case or demonstrating a Nobel prize winning expertise in economy, we think it is easy enough to make ordinary citizens and taxpayers understand that this method of financing the economy has clear advantages over foreign debts and even FDI which in both (02) cases rather alienate the sovereignty of the State and impose an array of conditions.

In our opinion, the first of these advantages is the **Mobilization of local savings** which entails very short mobilization deadlines, unlike negotiations with conventional bilateral and multilateral TFPs which are sometimes endless to the point that the project document is outdated by the time the first disbursements are made.

The second advantage is the **transaction currency, the CFAF**. The loan being made in the local currency on the national territory, so is the repayment. This will help avoid the various transaction charges associated with the exchange rates between the various currencies and transfer fees. This puts less pressure on the country’s foreign currency reserves. A fatal (and beneficial) consequence is

that these resources are necessarily for local use and should not be used for the import of goods or services.

The third most important theoretical advantage is the **prior identification of projects** that are already mature, thence eligible for the mobilized funding. We emphasize on the presumption of proven maturity of listed projects.

Lastly, without pretending to be exhaustive, the advantage of an **almost immediate disbursement in full of the amounts raised** for rapid utilization. This option avoids the need for external creditors to impose conditions on disbursements, which are often based on complex client-specific aspects.

Definition of some key notions and concepts used in this brief :

The relevance (of a project) concerns the extent to which the targets envisaged by the project adequately meet the problems identified or the real needs. It is therefore the nature of what is suitable, appropriate, or relevant to the subject or question.

Relevance refers to the consistency of means and resources deployed to achieve an objective.

Efficiency is the nature of something or an action that produces the expected outcome. Efficiency therefore means: fulfilment of an expectation.

The notion of efficiency is based on three elements: an expectation, an outcome and adequacy between the two.

In this brief, these two notions and concepts will enable us measure how the resources derived from EO have produced the expected results from the outset (of their conception), to the agreed term (through assessment of the final result – notably in terms of impact). In other words, we intend to observe the efficient and relevant use of resources mobilized through an approach applied to cost accounting...but in economics.

The causal approach involves a logic of optimization and highlights the importance of conducting prior forecast and analysis to avert unpleasant surprises that will hinder optimization. It entails having an understanding and a mastery of information and the environment in which the decision takes place.

Bond issue. It is an alternative to conventional bank financing. The borrower first specifies the amount of capital that he need, then divides it into many bonds as possible. These bonds, which are similar to debt securities, are proposed to investors at the time of issue (primary market). They can subsequently be resold second-hand (secondary market), since they are listed on the stock market. The yield (interest rate) on a bond is known in advance. Depending on the case, this yield can be at a fixed or variable rate. The issuer undertakes to repay the purchase value of the securities (issue price) at an agreed maturity. Coupons (interests) are paid-in during the term of the bond.

Rating	The act of attributing a value to a financial security during its listing on the market
Alternative Financing	Reference to the financial channels, processes and instruments that have emerged outside the conventional financial system

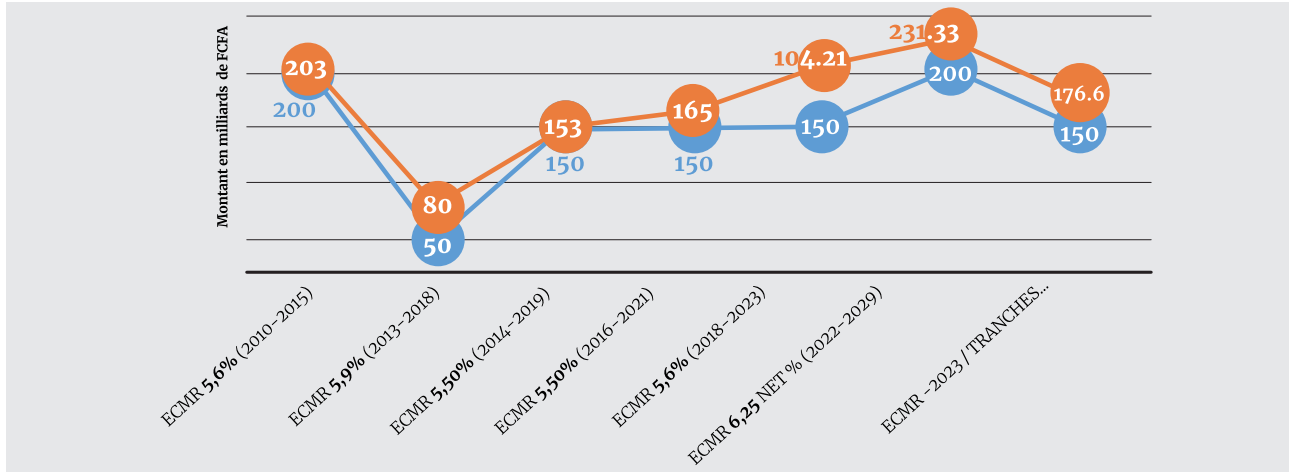
I. Overview of Cameroon’s EO since 2010

Cameroon has been able to launch eight (08) EO, one of which was cancelled in 2017. The total amount of resources mobilized was CFA1213.9 for a target of CFA1050 billion francs, representing a success/recovery rate of 115.5%.





Chart 1 : The expectations and the yields of Cameroon’s bond issues: Analysis of the trend.



Source: Compiled by CAMERCAP-PARC from MINFI, BVMAC and CAA sources

The main trend that emerges from this chart is that ambitions have remained very modest, never exceeding the CFA200 billion francs threshold. Despite the enthusiasm of subscribers (almost systematically exceeding the amounts targeted at each time), can this slowness be explained by due caution or by a tacit expression (implicit) of the difficulties of operational and relevant management (according to our definition) of the resources raised in advance?

It is unsettling for a country in need of funding to dispose of obvious opportunities to gather easy resources for development purposes so that the expectations of 2023 are lower than those of 2010 (the very first listing). According to a bantu adage, the first dancing steps do not cause sweating. How can we explain the fact that expectations do not increase over time?

In economic analysis (thanks to a technique applied by the National Accounting Office), the notion of deflator is clearly established in reference to a base year of study. In plain language, this simply means that a nominal amount does not have the same value from period A to period B, due to inflation. To illustrate, it is obvious for everyone to understand that CFA10,000 francs in 2010 cannot buy the same amount of goods in 2024.

On this basis, we assume that CFA200 billion francs in 2010 is not equivalent to CFA200 billion francs in 2023, simply because of natural inflation. To keep the value constant, the 2023 nominal value would have to be deflated (inverse weighting of the average inflation rate over the period). In conclusion, the CFA200 billion francs in 2023 is lower (in PPP terms) than the CFA200 billion francs in 2010, meaning that Cameroon

has requested and paid through bond issue less money in 2023 than in the first operation.

How can a country in need of financing be so reluctant to raise the funds that are nevertheless available? How can a country’s ambitions diminish over time, instead of increasing, when it claims to be striving for sustainable, inclusive growth ?

Emprunt obligataire par appel public à l'épargne de l'Etat du Cameroun.

ECMR 2023 à tranches multiples.

Ensemble, investissons pour que demain soit meilleur.

TRANCHE A	TRANCHE B	TRANCHE C	TRANCHE D
40 MILLIARDS FCFA	40 MILLIARDS FCFA	50 MILLIARDS FCFA	20 MILLIARDS FCFA
5,80%	6,00%	6,75%	7,25%
NET/AN SUR 3 ANS	NET/AN SUR 4 ANS	NET/AN SUR 6 ANS	NET/AN SUR 8 ANS

Montant de l'opération : 150 Milliards FCFA / Prix de l'obligation : 10 000 FCFA
 Souscrivez du 13 au 30 Juin 2023, auprès des banques et sociétés de bourse membres du syndicat de placement.

II. Attempt at decoding Cameroon's EO through a specific analysis.

For the 07 fund-raising operations on BVMAC, Cameroon capped its claims (targets) at CFA1050 billion francs, representing an average of CFA150 billion francs per operation. Everyone can see that ambitions are weak in the face of the opportunity to get financed in the local market (regional) and in local currency. **We believe that the country can do better!**

Specifically, what are the characteristics of each EO and its objectives?

1° ECMR (5,6%) # 2010-2015.

Amount requested: CFA200 billion francs

With the assistance of 03 financial institutions, the amount collected was CFA203 billion francs, representing a performance above 100%. Reference was being made to the credibility of the Cameroonian State's signature.

According to the briefing note published by MINFI, the funds collected under this loan were earmarked for the implementation of a number of public investment projects (13 in total). For each sector, they include: water and energy infrastructures (04), port infrastructure (01), telecommunications (01), road and bridge infrastructures (04) and major agricultural projects (02).

As at March 31, 2024, that is 14 years later, certain projects are still stalled. This is notably the case of the Lomie cobalt and nickel mining project (by Geovic) budgeted at CFA30 (thirty) billion francs which, incidentally, was the second largest amount out of the 13 projects identified by MINEPAT.

It is also worth noting that the formulation of some major agricultural projects is vague. This makes follow-up and evaluation very difficult: automation of the agricultural sector (rice, maize, etc.) for 02 billion and development of the production sector for CFA10 billion francs.

Other projects initiated by the bond issue are still ongoing since over 10 years and although some are completed, their workability to produce the expected results and return on investment is still an issue for debate. This is notably the case of the Memvele and Lom Pangar dams. Although the plants have been constructed, the populations and companies are still facing power shortage in the areas supplied, notably the south interconnected grid (RIS) as defined by the official breakdown of power distribution network in Cameroon.

2° ECMR (5,9) # 2013-2018.

Amount requested: CFA50 billion francs

Arranged by a single institution (SCB Cameroun), the amount collected was 80 billion. This represents a recovery rate of 160%. Quite a performance!! This shows the great interest on the part of the State of Cameroon's creditors. But, in the face of this optimism on the part of investors who believe in Cameroon, the client's reaction seems to be the opposite. The projects identified were: (i) the Memvele dam for 23 billion; (ii) the Kribi port for 09 billion and (iii) road projects for 18 billion.

It was stated that the additional 30 billion would be used to finance among other things equities and the restructuring of public companies.

The balance-sheet, as at April 2024, should be drawn up to enlighten constituents, representatives, and beneficiaries.

3° ECMR (5,5%) # 2014-2019.

Amount requested: cfa150 billion francs

Cet EO est adossé sur le décret 2014/131 du 31 This EO is backed by Decree 2014/131 of 31 March 2014 enabling the Minister of Finance to issue government securities for a maximum amount of CFA280 billion francs to finance development projects listed in the 2014 FL. In line with an extremely cautious attitude, the amount requested represents 53.57%, that is barely half, despite the fact that existing financing needs are clearly identified.

On the other hand, for a monetary zone whose banking over-liquidity was described in the past era, the obvious consequence was that this EO was concluded by a single arranger, SCB Cameroun, to the tune of CFA153 billion francs.

According to the briefing note, 21 projects have been selected to be financed by this EO. Power supply projects take 40.8 billion for the Lom Pangar, Memve'ele and Mekin dams. Ten years later in 2024, the Cameroonian taxpayer (households and companies), on behalf of whom the EO was raised, is still waiting for the expected results, namely the adequate supply of energy for its daily activities.

The second destination of resources for this 2014 ECMR is the infrastructures sector. Certain projects have been earmarked for the entire budget and others for part of it. Out of a dozen or so projects, two things stand out in the analysis:

(i) *The undefined nature of formulations (tarring of the main network for about 28 billion and the secondary network for nine billion). How can a*



project formulated in this way be efficient, in the sense used in this briefing note?

(ii) The part to be financed by the 2014 ECMR corresponds to the 2014 payment appropriations (not necessarily equivalent to the commitment authorization), as a result of the implementation of the recent programme budget. This leaves us with funding contributions lower than 20% of project commitment authorization. This seems to us risky, firstly in terms of expected outcome and the non-zero probability of the project not being completed. This could lead to loss of this precious resource obtained through a special mechanism, requiring a refund at a set deadline. The list of these projects include a good number which, to date, have not been financed or are still uncompleted in 202 : Yaoundé-Nsimalen highway, the Mfoundi canal, the construction of the Yaoundé eastern bypass etc.

The third group of projects to be financed by this EO is that of State participation in public companies, a total of 05 amounting to CFA21.5 billion francs: **CAMAIR-CO, EDC, MATGENIE, CICAM, and CAMWATER. As of April 2024, while EDC and CAMWATER, both belonging to the strategic and sovereign energy sector, seem to stay the course despite headwinds, the 03 others have been in a state of virtual agony for years and the sky does not look brighter for them. The latest CTR report speaks pretty clearly about them.**

4°) ECMR (5,5%) # 2016-2021.

Amount requested : CFA150 billion francs

Just like in the previous EO, investors still display confidence in the Cameroonian State. On a CFA150 billion francs proposal, the State has collected CFA165 billion francs through 04 arrangers, representing 110%. The number of projects is 14, representing a simple arithmetical average of 11.78 billion. Of course, one may believe that it is possible to complete a project from start to finish and bring it into operation on schedule, with secure financing.

And the special feature of this EO is that the projects listed are all marked “in progress” in terms of their level of maturity, in the information note published to date (2016).

Table 2 : Allocation of the resources requested during ECMR (5,5%) - 2016-2021

		No. of projects	Amounts	%
1	MINEE	5	86 600	57,73
	dont PAEPYS	//	61 500	41,00
2	MINDHU (Yaoundé-Nsimalen highway)	1	9100	6,07
3	MINTP	5	27 300	18,20
4	State contribution / MINEPAT	3	27 000	18,00
	Total	14	150 000	100

Source : ECMR briefing note (5,5%) - 2016-2021

- The case of the project to supply potable water to the city of Yaoundé and the surrounding area from the Sanaga (PAEPYS)

With the largest envelope of this EO and of all the 10 CMR EOs ever issued, the PAEPYS was registered for an initial endowment of CFA61.5 billion francs pending the breakdown of the additional 15 billion collected. We are in 2016, and the briefing note says the project is underway.



Insert no. 01 : Fact sheet of the PAEPYS project

The project to supply potable water to Yaoundé and the surrounding area from the Sanaga (PAEPYS) was launched in 2017 by the Ministry of Water and Energy (MINEE). The future drinking water facilities, which will be served from the Sanaga River, will supply 300,000 m³ of water per day from their entry into service, extendable to 400,000 m³. Officially, the estimated demand (in 2016) for drinking water in the city of Yaoundé was 315,000 m³ per day. The Akomnyada drinking water treatment plant supplies 130,000 m³ and the Mefou plant 50,000, for a total of 180,000 m³ per day.

The PAEPYS is financed with a loan from Eximbank China, for a total cost of CFA399 billion francs (\$736 million). Financing (EXIM BANK of China: 85% of the total cost of services, State of Cameroon: 15% of the total cost of services).

Its technical specifications can be summarized as follows: contracting authority (Ministry of Public Contracts - MINMAP), project owner (Ministry of Water and Energy - MINEE), prime contractor (Groupement SEURECA/A2PE/BETEM), contractor (EPC (studies, supplies and realizations) and the Chinese company SINOMACH is in charge of implementing the project. Geotechnical surveys: LABOGENIE

Completion (36 months (from 30/12/2016) + 24 months (from 01/01/2020)) date ,

The main difficulties encountered were/ are: (i) irregular disbursements by the donor: not compatible with the progress of work in the field; (ii) mobilization of counterpart funds, leading to arrears in the payment of contractors' accounts and compensation, as well as in the operation of the PMU; (iii) the tax system; and (iv) the slow release of rights-of-way.

Source : Autonomous Sinking Fund and other sources consulted.

5°) ECMR (5,6%) # 2018-2023.

Amount requested : CFA150 billion francs

The special feature of this fifth bond issue by the State of Cameroon is that the official list of projects selected for financing was not presented by sector but by region.

Table 3 : Allocation of resources from ECMR (5,6%) - 2018-2023, per Region

		No. of projects	Amount in millions FCFA	Observation
1	Adamawa	1	500	Less than ONE billion
2	Center	6	48 600	
3	East	3	4 600	Less than FIVE billion
4	Far-North	4	5 700	
5	Littoral	5	35 000	
6	Noth	6	20 500	
7	North-West	4	5 600	
8	West	5	17 000	
9	South	1	9 000	
10	South-West	3	3 500	Less than FIVE billion
Total		38	150 000	

Source : Briefing note ECMR (5,6%) - 2018-2023 and our analysis.

The political orientation of seeing or having "something" for each of the regions inevitably leads to the use of a random approach, which in turn leads to inefficient public spending, resulting from the EO. Activities to be financed thus amount to CFA500 million francs, that is less than the monetary unit in which the EO is denominated. Does the State of Cameroon need to borrow less than one billion from BVMAC for an activity? And does the arranger himself not find it ridiculous to put together such a financial package (for the largest economy in CEMAC and the second largest in the Franc Zone)? NO, Cameroon deserves better! This should not be done. When one is big, he plays big. Cameroonians who are lovers of soccer demand that the Indomitable Lions of national finance play in the "Champions League" and not the inter-quarters games in Mvog-Ada or New-bell.



And for this to happen, the regulator needs to get involved, above and beyond any arguments that might invoke state sovereignty. BVMAC should not allow this kind of project to be financed by an EO. Supervision is necessary for the efficiency and economic progress of the sub-region.

Another observation, no less critical in our opinion and in all humility, is the territorial allocation of projects.

Can we validly say that the Lom-Pangar project (CFA1.5 billion francs) benefits the Eastern region? Or the Memve'ele dam for the southern region (9 billion)? Should we not look at the final destination of the product generated by these activities to classify them as national projects and not localized in the regions? Economic analysis should take precedence over political analysis in such cases.

Finally, we call for a formal evaluation, after 10 years, of the various projects that have benefited from this EO funding. This evaluation should cover not only the financial aspects, but also the economic and socio-political aspects. This is particularly true of the Olembe sports complex project in Yaoundé, which received CFA36 billion

francs from this EO. The Nsimalen-Yaoundé highway (CFA6.3 billion francs) and phase I of the Yaoundé-Douala highway (CFA4.3 billion francs). Under the same heading, the Japoma sports complex has also consumed CFA26 billion francs.

6°) ECMR (6,25%) # 2022-2029.

Amount requested: CFA200 billion Francs

Largely dedicated to the infrastructure sector (according to the GESP nomenclature) and spread over 52 projects, the Ministry of Public Works (MINTP) wins the bid with a jackpot of CFA120 billion francs out of the 200 forecast, that is 60%. At first glance, this may reflect the political will to prioritize the opening up of the country. However...

With 04 arrangers, the amount raised was CFA231.28 billion francs, a performance of 115.5%. This reflects the confidence of investors/creditors in the State of Cameroon and its signature. While the latter are confident and winners at the end of the game, what about the State of Cameroon? Who wins and who loses? Are we analytically in a WIN-WIN situation, or is one of the parties not doing so well? And who is responsibility for that?.

Table 4 : Recap of the 2022-2029 ECMR (6.25%) programming

	Ministry / Sector	No. of projects	Amount requested in billion of FCFA	Amount collected in FCFA	Average (millions)
1	MINEPAT / implementation of PLANUT projects	1	3,5		3 500
2	MINEE	08	23,5		2 937
3	MINTP	34	120		3 529
4	MINDHU	6	23		3 833
5	MINT	1	15		15 000
6	MINEPAT/intervention and counterpart fund	2	15		7 500
	TOTAL	52	200	231	3 846 / 4442

Source : Briefing note ECMR (6,25%) 2022-2029

Let us start by admitting that 52 projects for CFA231 billion francs represent a simple arithmetic average of 4.44 billion per project, with a very wide dispersion. The highest programmed allocation is 17 billion for complementary works, recovery and bypass roads for the Yaoundé-Douala highway phase. The lowest amounts are CFA1 billion francs each, for 10 projects mainly under MINTP's responsibility, with "construction work on the A-B road" as the subject.

An elementary statistical analysis reveals an average of CFA3.8 billion francs (less than 4 billion) at issue - which corresponds to the programming stage - per project to be carried out by this EO. This ratio brings us back to the practice of "dispersion", once decried in the programming of public investment projects. Knowing the (historical) unit costs in

Cameroon, we have every reason to be concerned and to doubt the real efficiency in terms of gross fixed capital formation (FBCF, considered as the stock of investment) generated by the said projects.

In terms of relevance, one of the key criteria for effective budget programming, there are a few worms in the fruit :

(i) Formulation of projects identified and registered for financing. The first operation listed (chapter 22/ MINEPAT) is entitled: **Implementation of PLANUT projects** (CFA3.744 billion francs) in one region of the country. The same applies to another heading in chapter 38/ MINDHU entitled: **AfCON project** (CFA10 billion francs). MINEPAT experts in charge of project maturation will be able to judge for themselves the results and performance indicators to be associated with this budget entry. How can we evaluate or control the effectiveness and efficiency of this public expenditure? Since the SAP period, we have been talking about the permanent quest **for Quality in public spending as a key benchmark** in our development process...

(ii) MINEE had already earmarked three (03) billion francs as the State's contribution to the project to supply drinking water to the city of Yaoundé from the Sanaga (PAEPYS). 10 years on, the project is still not up and running, and the city of Yaoundé, which is growing day by day, continues to suffer from water shortages. **To date (April 2024), can we say a word about the economic, financial or social efficiency of this contribution?**

(iii) (iii) The same could be said of dozens of other projects for which the sums allocated were insufficient to complete the operation, or at least to make the project operational. A case in point is the CFA1 billion francs allocated to the Olembe-Nkozoa section of the Yaoundé northern bypass. You do not need to be a road and bridge specialist to see that an uncompleted investment in a road project will force you to start again from the initial point if need be. In such cases, we can speak of a dead loss. And there are plenty of examples. Would this money not have been more effective elsewhere? For example, by being fully used to complete another outstanding project with a substantial and complete influx of the necessary resources.

In detail, PLANUT/MINTP (11 projects) and PLANUT/MINEPAT (1 project) account for 25% of the CFA200 billion francs envelope, with 52 billion programmed. After 10 years, what assessment can be made of this project initially scheduled for 03 years (2015-2017)?.

7°) ECMR (5,8% à 7,25%) # 2023.

Amount requested revised downwards: CFA150 billion FCFA, multiple tranches

Endorsed by decree No.2023/077 of February 06, 2023 enabling the Minister of Finance to resort to public securities for a maximum amount of CFA450 billion francs, a CFA150 billion francs worth EO was issued on the central African financial market: 2023-ECMR with the specificity of being structured into multiple instalments. In the end, the sum of CFA176.6 billion francs was collected including CFA79 billion francs at 5.80%, CFA61 billion francs at 6.00% ; CFA25 billion francs at 6.75% and CFA11.6 billion francs at 7.25%.

Per sector, the projects to be financed are divided as follows in billions of CFA francs :

Table 5 : Allocation of ECMR6-2023 resources

	Ministry / Sector	No. of projects	Amount in billion of FCFA	Average in millions
1	MINEE	07	20,5	2 928
2	MINTP	28	85,5	3 053
3	MINDHU	3	15	5 000
4	MINT	1	14	14 000
5	Reconstruction of disaster zones	2	15	7 500
	TOTAL	41	150	3 658

Source : 2023-ECMR briefing note





The first glaring observation is the recurrence of the flaws and shortcomings of the DNA of budget programming in Cameroon. About 41 projects for 150 billion including 28 for the MINTP (that is 68.3%) for an amount of 85.5 billion (representing 57%). Indeed, we are in the heart in the logic of dissipation that is very often denounced due to lack of efficiency. There is a minimum of CFA one (01) billion and a maximum of CFA eleven (11) billion.

Like the previous EO, the theoretical average per project is lower than CFA4 billion (with the exception of the Kribi port for which the State's contribution deriving from the EO is stabilized around CFA15 billion per operation.

The other characteristic is the type of the programmed expenditure: out of the 28 projects listed, 17 are to be entirely (100%) financed by the EO ECMR 2023; and eleven (11) are listed as a contribution alongside the funding already included in the 2023 Finance Law (FL). So, how can or will we assess the effectiveness of a contribution of CFA01 billion francs from the EO-ECMR2023 alongside the 16 billion earmarked for the construction of the Lobale (Kribi port)-Campo express way? Or the effect of the CFA2 billion francs in the rehabilitation works of the Babadjou-Bamenda road in 04 lots included in the FL for CFA38 billion francs?

This is an uncertain equation that leads to speculate and anticipate the difficulties of tracking cost accounting.

In a nutshell, the simple question that is worth asking decision-makers on Cameroon's EO is: is it not time to say "no more as usual"? And that, even with a surge of pride, the EO should be managed with particular delicacy – closer to a project logic rather than the results-based approach advocated by programme budgeting?

Merging EO resources in the overall FL budget (through the single account principle) means that this initiative and new financing mechanism loses its essence and specific efficiency. In the end, the EO has the same shortcomings as our conventional budget, not to mention its limitation and inefficiency. In as much as our intention is not to see or paint everything in black, all analyses and reports on budgetary efficiency have always denounced the logic of market dissipation.

Our opinion ...

UDefined as an alternative and innovative financing source (in the case of Cameroon and CEMAC), a bond issue has the peculiarity of bringing fresh cash-flow in a short period of time for the amount requested. This resource should be allocated according to project logic to one (or at least a very small number) of selected mature projects. All the resource required would be used to execute the project from start to finish in order to make it operational within the prescribed deadline and bring it into the production circuit and generate expected benefits at the due date.

A State bond issue must not be used as budgetary support.

Textbox 2: the PLANUT case

The Three-year Emergency Plan for Accelerating Economic Growth (PLANUT) in Cameroon was launched by the President of the Republic, in December 2014. PLANUT's purpose was to accelerate the implementation of the Growth and Employment Strategy Document (GESD). It took the form of a three-year investment program in various sectors such as urban development, housing, health, agriculture, livestock, road infrastructure, water, energy and security. Nine ministries were involved in the implementation, including **MINEPAT, MINTP, MINADER, MINSANTE, MINEE, MINEPIA, MINHDU, SED and DGSN.**

PLANUT was to be financed by loans contracted by the State from a pool of local banks and international financial institutions. Some CFA565 billion francs were raised for its implementation. To this amount must be added the resources generated by bond issues (around CFA 100 billions). These funds have been allocated to various projects since 2015.

To ensure the smooth implementation of **PLANUT, the Head of State set up a PLANUT Implementation Monitoring Committee**, reporting to the Prime Minister. The committee's mission was to supervise projects and ensure their coordination.

Conceived as an emergency project, PLANUT in Cameroon has had mixed results and several difficulties. Some projects have encountered delays and obstacles in their implementation, due to coordination, funding and capacity problems.

As for its duration, scheduled to end in 2017, there is no indication that the PLANUT will come to an end in 2024..

Our advocacy : Carry out an in-depth audit and reform the project if the idea was to be maintained.

III. Risk analysis: Who is in charge of doing what?

History and daily practice in financial institutions teach us the importance of analysing any loan application. Any application for a loan from a financial institution (microfinance, commercial or investment bank, ordinary bank or any other national, regional or international development finance institution), over and above any good faith declared by the customer, first requires an analysis of the project to be financed. Criteria to be analyzed include the borrower’s ability to repay the loan. In order to avoid the bankruptcy of the creditor institution – and therefore of its depositors and shareholders.

We will leave it to specialists to go further into the analysis, but it is more obvious for an ordinary citizen (we are working for him) to understand that this capacity to repay is based on the relevance of the project and its economic, social and/or financial profitability. So it is not just a matter of the customer saying how much money he or she wants, and the lender mobilizing the sum accordingly to make it available.

This is true for households and large or small companies; it is also true in the case of

development projects initiated by governments with international financial institutions. And why should this requirement not apply to BVMAC? We would include all institutions related to EO, namely BEAC and COSUMAF. This analysis of the effectiveness, repayment capacity and economic, social and/or financial profitability of any EO should be approved and guaranteed.

It seems to us that the BEAC, as a central bank which already watches over the stability of the currency, also has a duty to ensure that the other major macroeconomic balances, in particular the public finances of the country or the zone. As such, the relevant and efficient management of EO should not escape their control.

It is not just a matter of the State repaying the sums owed on the agreed due dates. This can be done by drawing on other sources. We need to make sure that, in the medium term, the projects initiated and financed by the EO have not directly repaid the loan concerned, but that at least their exploitation has enabled the state to multiply or earn additional resources enabling it to repay its EO. This does not appear to be the case at present, after 10 years of experience with bond issues by the State of Cameroon.

Table 6 : A few “major” projects financed by Cameroon’s bond issues

No	Year	Description	Amount requested	Amount received	PAK	NSI	PAEPYS
1	2010	ECMR 5,6% (2010-2015)	200	203,00	21,00		
2	2013	ECMR 5,9% (2013-2018)	50	80,00	9,00		
3	2014	ECMR 5,50% (2014-2019)	150	153,00	25,00	3,700	
4	2016	ECMR 5,50% (2016-2021)	150	165,00	16,00	9,100	61,500
5	2018	ECMR 5,6% (2018-2023)	150	204,21	//	6,300	//
6	2022	ECMR 6,25% (2022-2029)	200	231,38	15,00	6,200	3,00
7	2023	ECMR-2023 / TM*	150	176,60	14,00	8,081	5,00
		TOTAL	1050	1213,19	100,00	3,381	69,500

Source : Compiled by CAMERCAP-PARC

* TM: Multiple tranches





On the basis of available data, these 03 cases are an excellent illustration of the efficiency analysis we have attempted to conduct in this note. Obviously, as a briefing note, the approach calls for a more in-depth study to draw the maximum and best lessons. So be it!

Case 1: Kribi deepwater port, the only project already operational (fully).

Over the long term, the project has been one of the main destinations for EO, accounting for around 10% (of the total amount requested by the State of Cameroon) since 2010. And continuously! This may give rise to a few oddities. Of course, the provision for the 2023 loan is part of phase 2 of the port extension. However, it would have made sense financially for the project to be self-financing once it was up and running. This would relieve the State of its new commitments to support a first-class infrastructure in terms of expected revenues and economic impact.

Penny question : ***What has the State got to do in a public enterprise of an industrial and commercial nature, 14 years on? Can we talk about the financial or economic efficiency (in the sense of our brief) of this gigantic project that is bearer of great hopes for Cameroon since the GESp (2010)? Is the inclusion of such a project in the State's debt portfolio still justified, or even relevant in 2023 ?***

Case 2: Yaoundé-Nsimalen highway: incomplete, but in use.

The Yaoundé - Nsimalen highway was signed in 2013 to be built over 10.8 km to connect the Nsimalen international airport to the Yaoundé urban center. The project was executed by the **China Communication Construction Company (CCCC)** for Phase 1, the rural section from the airport to the southern entrance of Yaoundé (Ahala). After almost 10 years of work, the section was opened to public traffic in December 2021, on the eve of the Africa Cup of Nations soccer tournament. After a few (fatal) accidents and misuse by the local population, we have witnessed closures and reopenings, as well as visits by members of the government accompanied by promises, etc. As of April 01, 2024, the least we can say is that the project has not been fully completed, and the highway section does not meet international road comfort and safety standards.

Phase 2 will concern the urban section. As of April 15, 2024, work on this second phase has not yet started, despite promises by public authorities in charge. As for the total cost of the project, the universal free encyclopedia WIKIPEDIA posts on the web in mondovision/consultation that “... **the cost of the project is not under control. From CFA87**

billion francs in 2013, it rose to CFA276 billion francs in 2020 for phase 2, [...]” And the latest official figures refer to [...] a 12.3-km-long infrastructure of 2x2 express lanes and 2x2 lanes of dual side alleys, running from the Ahala interchange to the Tsinga sub-prefecture, via poste centrale. Estimated cost of the infrastructure: around CFA380 billion francs (including tax), with structures and pedestrian bridges]. Despite what is said about this knowledge-sharing website, the fact is that such messages do not portray a positive image for the 237!

On analysis ...from 2014 to 2023, and on an ongoing basis, the State is making provision in each EO issued for an allocation that cumulates with the last to an amount of CFA33.4 billion francs. In terms of timing, how can we judge the effectiveness of such a project if we have to build 11 km of road (be it a highway) during 11 years, and the project is not fully completed and delivered? Whether in financial, economic or social terms, experts from all walks of life will have a hard time marking (+) in the boxes to be ticked!

What lessons can we draw from this rough experience for the urban section, which promises to be even more complicated with and upsurge of costs and a timetable written with chewing gum? We dare think that a surge of pride should impose itself on everyone, and on decision makers in particular. We have capacities and skills in this country that can modestly contribute to making the management of precious resources such as EO more effective and efficient.

Case no. 3: PAEPYS: Projet to supply potable water to Yaoundé and the surrounding area from the Sanaga: almost completed but not yet operational.

The project factsheet indicates a total cost of FCA399 billion francs (\$736 million). Financing by (EXIM BANK of China: 85% of the total cost of services, State of Cameroon: 15% of the total cost of services). By elementary arithmetic, we deduce that the 15% expected from the State of Cameroon should correspond to a total of CFA60 billion francs. This amount was therefore supposed to be fully covered by the 2016 EO, with some remaining. After two operations, the total amount dedicated to this project from EO resources is CFA69.5 billion francs. How can this be explained? No, the COVID and the Ukrainian crisis are not going to be the scapegoats for all our shortcomings.

What has changed: the overall project cost or the expected State contribution?

In the first case, and with equal proportions, this would reduce the overall cost of the project

to CFA465 billion francs, with 70 billion for Cameroon (15%) and 395 billion (instead of 340) for Eximbank China. In the second case, if the overall cost remained stable and Cameroon's contribution increased, the proportions would be 17.5% for Cameroon and 82.5% for Eximbank China.

In either case, the project's overall financial package has to be reviewed. Which begs the open question of effectiveness and relevance (in the sense of specificity = the fact of being linked to the object).

With regard to delivery times (making drinking water available within easy reach of consumers), the project was designed for 36 months (from 12/30/2016), with delivery expected by 12/30/2019.

However, during the course of the project, an extension was obtained, that is +24 months (from 01/01/2020). This brought the delivery date back to 01/01/2022. By April 30, 2024, Yaoundé will still be thirsty and the taps will be dry. An open question on economic and social efficiency. The debate can be opened by each and everyone.

Cette situation a suscité l'inquiétude des pThis situation has caused concern among the government's technical and financial partners, including the IMF, the "policeman" of public finances.

To this end, we reproduce below an extract from a financial efficiency analysis carried out by the IMF's country economist on this particular case of the PAEPYS.

Table 7 : Analysis of the Quality and Efficiency of Public Investment & AVD Results

Case study: Yaoundé Sanaga potable water supply project (PAEPYS), 150,000M3/day		
	Hypothesis 1	Hypothesis 2
Additional volume consumed	100,000 M3/day	100,000 M3
Unit cost	300 Ecf/M3	CFA400 francs/M3
Daily sales revenue	CFA30 millions francs	CFA40 millions francs
Annual sales revenue (CA)	CFA10,800 millions francs	CFA14,400 millions francs
Annual VAT	2,079 millions de FCFA	CFA2,772 millions francs
IS Deposit (2,2% of CA)	CFA238 millions francs	CFA317 millions francs
IRPP on additional jobs		
IS of companies of the sector, etc.		
Total additional taxes to collect	CFA2,317 millions francs	CFA3,089 millions francs

Source : IMF Country Team

This table reveals the obvious: the loss of revenue for the State due to the delay in commissioning, in terms of additional taxes to be collected per year. Clearly, if the project went into operation on 01/01/2020, that is in 04 years of operation to date, according to hypothesis 1, the State would have earned nearly CFA10 billion francs.

In the second case, which brings the start of operations back to 01/01/2022, the minimalist hypothesis 1 reveals a shortfall of CFA2.3 billion francs, and CFA3 billion francs in the highest hypothesis.

In short, the delay in commissioning is detrimental to public finances. The same exercise can be reproduced with similar consequences for all projects financed by EO since 2010





A few proposals as a conclusion.

CAMERCAP-PARC's mission and role is not to be a (villain) censor or a spoilsport. Its message is not one of negationism or denial of what has been done. NO! Much has certainly been done, and the projects that have been initiated are relevant and important. But honesty and the reality of facts prompt us to point out the mixed nature of the expected results.

In the first edition of the African Capacity Indicators Report (ACIR) published by the African Capacity Building Foundation (ACBF) in 2011, this observation had already been made for most African countries south of the Sahara. According to an analysis based on the capacities and skills approach, sub-Saharan countries (including Cameroon) do indeed have well-conceived and comprehensive development strategies and plans, and abundant natural resources. Financial resources may even exist, and skilled human resources are increasingly available in the States. But the results are not yet visible to start the real take-off towards development. One of the reasons found (among others) lies in **the poor, non-optimal combination of all these available capacities and resources**. This brings us to the issue of governance, which is practically raised by all the evaluation reports on Cameroon: CPIA, DB, PEFA, EITIE, Mo Ibrahim, the IMF's Article 4 reviews, and the publications of sovereign rating agencies (FR, S&P, Moody's).

In keeping with the fundamental philosophy of ACBF and CAMERCAP-PARC (Evaluate-Propose-Innovate), we would like to make a few suggestions to help decision-makers break out of this close-ended spiral of inefficiency in EO management in Cameroon (and in the CEMAC zone in general).

A. On a general level

1. With regard to the general approach to strategic planning, Cameroon (and the countries of the CEMAC zone) should align itself with and adopt the simple principle that "Any result not achieved at maturity must be considered a failure". As a result, it is necessary to draw lessons, either revise/adjust the project, or stop it altogether. And do not try to justify failure.
2. By design, a project is bound to time (and space). It cannot last indefinitely. The PLANUT case.

B. Specifically concerning the purpose of EO

- i). We believe it is optimal and therefore desirable to raise an EO for a single project,

and a maximum of 02 projects at a time.

Particular focus and attention will be paid to these projects, with all the requirements of transparency and governance.

If we take the case of Cameroon's 07 EO projects since 2010, we would have achieved and fully completed 05 to 10 major, structuring projects that would have been put into operation and rolled into the country's economic circuit. It is certain that their impact would have shifted GDP by a few points, as well as other SDG indicators such as employment and the collective well-being of the population.

This proposal in no way appeals to genius intelligence, but only to common sense and African/universal wisdom. **"What must be done deserves to be done well, and bequeathed to posterity"**..

- ii). Bond issues are not budget support. It should therefore not be included in the Finance Law. Instead, it should be directed towards a dedicated financing approach (for a specific project) until it becomes operational.

C. The role of BVMAC and other financial regulatory institutions in charge of managing EO, the BEAC, and the COSUMAF

Beyond the texts and the "intellectual legalism" that will cling on the sovereignty of States and the independence of the Central Bank among others, these institutions should also play an economic role (not just a financial one). By this, we mean that they must ensure that the funds raised by States are used correctly, through a judicious allocation, for greater efficiency.

It is therefore required to :

- i. Avoid dispersing the funds by including too many projects to be financed, sometimes for ridiculous amounts.
- ii. Ensure that the money borrowed is injected into a precise project with a set of specifications and a guaranteed return on investment, with an economic, social or environmental impact.
- iii. Not settle with repayment by the borrowing state's treasury, which is (or can be) made from resources drawn from elsewhere. Unfortunately, this can lead to a close-ended spiral of obstruction.
- iv. Set up a research department within BVMAC, BEAC and CONSUMAF, similar to that of business or investment banks, to analyze and validate projects to be financed by EO. The criteria of economic, social, environmental and financial efficiency in the case of public investments will be closely monitored.



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ET SI LE CAMEROUN S'ACCROCHAIT DAVANTAGE AU NIGÉRIA ?

ou

COMMENT TIRER AVANTAGE DU DÉCOLLAGE INDUSTRIEL
DU NIGÉRIA COMME PAYS SATELLITE

Nous osons poser la question[...] car, l'analyse des échanges commerciaux entre pays révèle incontestablement une constance dans les régions aujourd'hui dites développées ou en émergence. Chaque grand pays a pour premier partenaire commercial son voisin. L'intégration par les peuples est un puissant levier de développement. Et cette intégration par les peuples est boostée par le commerce de proximité. L'Afrique ne doit pas faire exception.



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BVMAC : Central African Stock Exchange

EO : Bond issue

DFI : Direct Foreign Investment

NSI : Yaoundé-Nsimalen highway

PAEPYS : Project to supply potable water to Yaoundé and the surrounding area from Sanaga

PAK : Kribi Deepwater Port

TM : Multiple tranches

Acronyms and abbreviations

ACBF	African Capacity Building Foundation
BEAC	Bank of Central African States
CAMAIR-CO	Cameroon Airlines Corporation
CAMERCAP-PARC	Cameroon Policy and Analysis Research Center
CAMWATER	Cameroon Water Utilities Corporation
CEMAC	Economic and Monetary Community of Central African States
CICAM	Cameroon Industrial Cotton Corporation
COSUMAF	Security and Exchange Commission of Central Africa
CPIA	Country Policy and Institutions Assessment
DB	Doing Business
EDC	Electricity Development Corporation
FL	Finance Law
FR	Working capital
IMF	International Monetary Fund
MATGENIE	National Civil Engineering Equipment Pool
MINEPAT	Ministry of Economy, Planning and Regional Development
PEFA	Public Expenditure and Financial Accountability
PLANUT	Three-year Emergency Plan for Accelerating Economic Growth
PPP	Purchase Power Parity
S&P	Standard & Poor's
UN	United Nations Organization

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